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OFFICE OF THE MAYOR
SAN FRANCISCO



WILLIE LEWIS BROWN, JR.

TREASURE ISLAND DEVELOPMENT AUTHORITY
410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFGOV.ORG/TREASUREISLAND

SF
T74
#1
1/8/03

TREASURE ISLAND DEVELOPMENT AUTHORITY

MEETING AGENDA
January 8, 2003 1:30 P.M.

Room 400, City Hall
1 Dr. Carlton Goodlett Place

Willie L. Brown, Jr., Mayor

DIRECTORS

Claudine Cheng, Chair
William Fazande, Vice-Chair
John Elberling
Marcia Rosen

Gerald Green
Susan Po-Rufino
Doug Wong

Annemarie Conroy, Executive Director
Peter Summerville, Commission Secretary

DOCUMENTS DEPT.

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ORDER OF BUSINESS

1. Call to Order and Roll Call

POSSIBLE CLOSED SESSION

****If approved by the TIDA Board, this Closed Session item will take place for approximately 30 minutes at the beginning of the meeting****

- Public Comment on all items relating to closed session
- Vote on whether to hold closed session to confer with legal counsel. (Action item)

2. CONFERENCE WITH REAL PROPERTY NEGOTIATOR

Persons negotiating for the Authority: Annemarie Conroy, Stephen Proud, Michael Cohen

Persons negotiating with the Authority: United States Navy

Property: Former Naval Station Treasure Island

Under Negotiation: Price _____ Terms _____ Both X

3. Reconvene in open session (Action item)

- Possible report on action taken in closed session under Agenda Item 12. (Government Code section 54957.1 (a) (2) and San Francisco Administrative Code Section 67.12)
- Vote to elect whether to disclose any or all discussions held in closed session (San Francisco Administrative Code Section 67.12).

4. Approval of Minutes (Action Item)

5. Report by Executive Director Annemarie Conroy (*Discussion Item*)
 - Report on access to Treasure Island including public use last month
 - Status of environmental clean up
 - Report on short-term leases
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
 - Report on Treasure Island community issues
 - Report on Citizens Advisory Board
 - Report on TIHDI
 - Financial Report
 - Legislation/hearings affecting Treasure Island
6. Communications (*Discussion Item*)
7. Ongoing Business by Directors (*Discussion Item*)
8. General Public Comment (*Discussion Item*)

In addition to General Public Comment (Item #8), Public Comment will be held during each item on the agenda.
9. Resolution approving the second amendment of the bylaws for the Treasure Island/Yerba Buena Island Citizens Advisory Board (CAB) as related to attendance (*Action Item*)
10. Resolution Authorizing the Executive Director to Execute an Amendment to the Sublease with California Engineering Contractors to Extend the Term of the Sublease One Year to January 31, 2004 (*Action Item*)
11. Presentation by Treasure Island Community Development of the Revised Proposal for Former Naval Station Treasure Island Prepared in Response to the Focused Request for Proposal for Primary Developer (*Discussion Item*)
12. Discussion of Future Agenda Items by Directors (*Discussion Item*)
13. Adjourn

Relevant documents such as resolutions, staff summaries, leases, subleases are available at the Treasure Island Project Office and the Government Information Center at the Main Library, 100 Larkin Street. Public comment is taken on each item on the agenda.

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The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing devices.

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TREASURE ISLAND WEBSITE

Check out the Treasure Island website at www.sfgov.org/treasureisland to find out about activities and facilities on Treasure Island, special events venues for rent, or to review the Treasure Island Development Authority's agendas and minutes.

Lobbyist Ordinance

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Administrative Code 16.520-16.534] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102, telephone (415) 581-2300, fax (415) 581-2317 and web site <http://www.sfgov.org/ethics/>.

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DRAFT Minutes of Meeting
Treasure Island Development Authority
November 13, 2002

City Hall, Board of Supervisors Chambers
1 Carlton B. Goodlett Place

1. Call to order 1:48 PM

Roll Call	Present:	Claudine Cheng (Chair) John Elberling Gerald Green Susan Po-Rufino Marcia Rosen Doug Wong
	Excused:	William Fazande (Vice-Chair)

2. Ms. Rosen moved for approval of the minutes from the October 9, 2002 meeting with the stipulation that on page 6 her comment be corrected from "incredible other financing" to "available other financing". Ms. Cheng seconded the motion.
The minutes were approved unanimously

3. Director's Report given by Executive Director Annemarie Conroy:

Public Use: Many groups used Island in past month, including Alzheimer's Association, Golden Gate Harley-Davidson Club fund-raiser and Navy Parents Association. Successful Fleet Week this October, first in two years as there was no Fleet Week in 2001 due to the events of 9/11/01. TIHDI Annual Picnic on October 19th was a great success and well attended, as was Tri-Cal Events 2nd annual Treasure Island triathlon on November 2nd.

Environmental cleanup status: Public comment period of Navy EECA ended on Friday, November 8th. TIDA made extensive comments on this document. (Director Conroy handed out environmental clean-up fact sheet distributed to residents by U.S. Navy). TIDA is asking the Navy to do more outreach than simply what is required under the law

Short term leases: No new short term leases

Caltrans/Bay Bridge: Nothing new to report

Community Issues: EECA raising concern among residents. TIDA encouraging residents to participate in public process. 4th annual TIHDI Community picnic was a great success and Director Conroy congratulated Sherry Williams, Executive Director of TIHDI, for the success of the picnic.

Citizens' Advisory Board: No CAB meeting in October, next meeting on Thursday November 21st.

TIHDI Report: Child care center to be discussed in closed session during this meeting. Hope to have child care center open sometime soon.

Financial report: Revenues for July 1, 2002 through November 12, 2002 total \$3.1 million. Expenses recorded for first quarter 2003 were only \$1.1 million.

Legislation: Department of Parking and Traffic working to come to resolution on red zones and fire lanes in residential areas. Issues were before the Board of Supervisors and recommendations were approved.

Ms. Cheng asked if there was an update on the City's Environmental Impact Report (EIR) Mr. Stephen Proud, TIDA Deputy Director, stated that staff has received a first administrative draft from URS Consulting Group, comments being prepared by City Attorney and TIDA staff. Public draft will be produced in another 6 to 8 weeks.

4. Communications were received from San Francisco Tomorrow, Alliance for a Clean Waterfront, Arc Ecology, and Citizens Advisory Board member Eugene Brodsky.

5. There was no ongoing business discussed by the Commission.

6. General Public Comment

Ms. Sherry Williams, Executive Director of Treasure Island Homeless Development Initiative, discussed the Treasure Island child care center. Center was due to open in June of 2002, opening originally delayed until August due to additional environmental testing performed by the Navy, however center still not open at the present time. Stated that the process of working with the Department of Toxic Substance Control and the U.S. Navy is very slow. TIHDI requested the assistance of TIDA to help resolve this matter in a timely fashion. Child Care Center was a cornerstone of the community development aspect of TIHDI's plan and almost one million dollars have already been expended to improve the center. Many families on Treasure Island are dependent on the opening of child care center.

Ms. Nancy O'Rourke, Director of Special Projects of Kidango, spoke regarding the child care center. She stated that Kidango has no intention of taking legal action against the City and County of San Francisco, also no litigation planned against the U.S. Navy at this point. Four staff members have already left due to lack of work available. Families call daily to ask about opening of center. Many families have had to make other child care plans due to delayed opening. Many low income families on Treasure Island cannot pursue jobs or education due to lack of child care available to them. Image of company is damaged as well by this ongoing delay. Community will be affected since children will not be prepared for school. She urged the TIDA board to look at any methods available to expedite opening of child care center.

Mr. Elberling asked what the \$1 million invested went towards and what the sources of these funds were. Ms. O'Rourke stated that the money went to construction and purchase of equipment. Only equipment left to purchase is outdoor play equipment that was damaged by Navy's environmental testing. Estimated tenant improvement costs were close to \$800,000, including mold work and replacement of sheet rock and replacement of roof. The sources of funding were from Child Care Facilities Fund and Low Income Housing Fund as well as funds from Department of Children, Youth, and Families. Also received a grant from the Mayor's Office of Community Development for the Conservation Corps to improve playground and outdoor equipment. Kidango has used some of their own funds for construction management costs as well as some operating costs.

Ms. Conroy stated that TIDA staff is working diligently with TIHDI staff as well as the Navy and DTSC to get a resolution on this issue. Emphasized the child care center is very important to Treasure Island and TIHDI as well.

7. Mr. Stephen Proud of TIDA staff presented a sublease with Island Creative Management for Building 2 on Treasure Island. Island Creative management currently uses Building 99 on Treasure Island to build sets for television, film and special events on Treasure Island and around San Francisco. U.S. Navy indicated that Building 99 was the site of former dry cleaning facility and there is ground water contamination on this site that needs to be remediated, so there was a need to move them to a different building. Moving Island Creative Management to Building 2 allows environmental remediation to move forward and also retains an integral tenant on Treasure Island. Building 2 formerly housed "Nash Bridges" television production. Term would be for a one year period of time and the rent would be set at \$18,000 per month, current rent at Building 99 is \$10,500. This will be a net increase of \$90,000 annually to TIDA. City Attorney advised that occupation of a new facility without a competitive solicitation process requires a super-majority vote of the TIDA commission, which is 6 out of 7 votes.

Mr. Michael Cohen, Deputy City Attorney, stated this item does not also require Board of Supervisors approval.

Mr. Green asked how the \$18,000 rent compares to the rent that the Nash Bridges production paid. Mr. Proud stated that the rent is less than what Nash Bridges paid but in general it has been a "soft market" for use of Building 2 and Building 3 for film productions. As of now Building 2 is an empty facility generating no revenue.

Ms. Rosen asked if the rent was based on a per-square-foot basis or agreed upon by another means. Mr. Proud stated that the rent was a negotiated amount, not based on a price per-square-foot. Stated that his sense is the rent is less on a per-square-foot basis than what Island Creative management is paying right now because Building 2 is a comparatively larger space than Building 99.

Ms. Conroy stated that if there is resurgence in interest from the movie and television industries there is the option to relocate Island Creative Management, since the sublease is only for one year, and bring a production into Building 2.

Ms. Rosen requested that any amendment to this sublease contain more market-comparable information before any further decisions are made.

Mr. Green stated that a "whereas" clause should be added to indicate that the facility was previously empty and without revenue from the new tenant that vacancy might continue to remain empty and not earn revenue.

Mr. Ed Abase of Island Creative Management stated that they mainly do set and lighting design and construction for film productions as well as for corporate events. Most recently they did the pre-production support for "La Boheme" which will open soon on Broadway in New York City.

There was no public comment on the issue

The item was motioned for approval by Mr. Wong with an amendment by Ms. Rosen to read "and whereas: Building 2 has been vacant...due to the downturn in film and television production industry in San Francisco". Mr. Green seconded the motion. The motion was adopted unanimously.

8. Ms. Marianne Conarroe of TIDA staff presented an extension of the land and structures master lease with the United States Navy. This extension covers the brig building, land that California Engineering Contractors is located on, Little League ball field, and other areas on the Island. This extension will extend the term of the lease until November of 2003.

There was no public comment on this item

The item was motioned for approval by Ms. Po-Rufino and seconded by Mr. Green. The item was adopted unanimously.

9-10. Mr. Green moved that the Commission adjourn to closed session and Ms. Cheng seconded the motion. There was no public comment on the closed session items.

The Treasure Island Development Authority went to closed session at 2:25 pm

11-12. The Treasure Island Development Authority returned to open session at 3:35 pm

Mr. Green moved to not disclose what was discussed in the closed session and Mr. Elberling seconded the motion

13. There were no future agenda items discussed by the Commission

14. The meeting adjourned at 3:37 pm

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AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution approving the second amendment of the bylaws for the Treasure Island/Yerba Buena Island Citizens Advisory Board (CAB) as related to attendance.

Agenda No: 9

Contact Person/Phone: Marianne Conarroe
(415) 274-0660

Meeting Date: 01-08-03

SUMMARY OF PROPOSED ACTION:

This item is seeking approval of the Authority for the second amendment of the bylaws for the Treasure Island/Yerba Buena Island Citizens Advisory Board (CAB). (Exhibit A)

BACKGROUND:

Members of the CAB were first appointed by the Mayor and the Board of Supervisors in September 2000. In determining the mission and guiding the operation of the CAB, staff consulted with other city and state agencies, such as the SF Redevelopment Agency in formulating a set of bylaws. At the first orientation meeting in November 2000, members of the CAB made comments and suggested changes to the bylaws as initially drafted. In December 2000, the Authority approved the bylaws at a regularly scheduled meeting of the Treasure Island Development Authority Board of Directors.

In March of 2002, the Authority approved the first amendment to the bylaws allowing any member of the CAB to earn a half credit for participating in subcommittees or for attending any special meetings of the CAB.

Section 5. Article IV, the first amended bylaws state that beginning on January 1, 2002, any member who is absent for four (4) of any regularly scheduled meetings during any twelve (12) month period shall automatically be terminated, subject to a written appeal to CAB prior to the next regularly scheduled meeting. Attendance at a scheduled subcommittee meeting or special meeting of CAB shall constitute a credit of one half of a meeting against any such absences. Any resulting vacancy shall be filled for a new term. If the vacancy is an appointee of the Board of Supervisors, the Board of Supervisors shall appoint the replacement. If the vacancy is an appointee of the Mayor, the Mayor shall appoint the replacement.

The proposed second amendment would allow any member who is subject to be terminated to submit a written appeal to the full CAB prior to the next regularly scheduled meeting, and participate as a member of a subcommittee or attend special meetings of the CAB in order to constitute a credit of one full meeting against any such absences.

RECOMMENDATION:

Staff recommends the approval of the second amendment to the CAB bylaws.



1 **[TREASURE ISLAND/YERBA BUENA ISLAND CITIZENS ADVISORY BOARD**
2 **SECOND AMENDMENT TO BYLAWS – RELATING TO ATTENDANCE]**

3 APPROVING THE SECOND AMENDMENT OF THE BYLAWS FOR THE
4 TREASURE ISLAND/YERBA BUENA ISLAND CITIZENS ADVISORY BOARD.

5 WHEREAS, Under the Treasure Island Conversion Act of 1997, which
6 amended Section 33492.5 of the California Health and Safety Code and added
7 Section 2.1 to Chapter 1333 of the Statutes of 1968 (the Act"), the California
8 Legislature (i) designated the Authority as a redevelopment agency under California
9 redevelopment law with authority over former Naval Station Treasure Island (the
10 "Base"), and (ii), with respect to those portions of the Base which are subject to the
11 public trust for commerce, navigation and fisheries, (the "Tidelands Trust"), vested in
12 the Authority the authority to administer the Tidelands Trust as to such property; and

13 WHEREAS, The Tidelands Trust prohibits the sale of Tidelands Trust property
14 into private ownership, generally requires that Tideland Trust property be accessible
15 to the public and encourages public oriented uses of trust property that among other
16 things, attract people to the waterfront, promote public recreation, protect habitat and
17 preserve open space; and,

18 WHEREAS, The Board of Supervisors approved the designation of the
19 Authority as a redevelopment agency with powers over Treasure Island in Resolution
20 No. 43-98, dated February 6, 1998; and

21 WHEREAS, On February 25, 1998, the Board of Directors of the Authority
22 passed a resolution calling for the appointments of a citizens advisory committee;
23 and,

24 WHEREAS, Members of the citizens advisory committee were appointed by
25 both the Mayor and the Board of Supervisors in accordance with Board of
Supervisors Resolution No. 89-98; and



1 WHEREAS, On December 13, 2000, the Board of Directors for the Authority
2 approved the bylaws for the Treasure Island/Yerba Buena Island Citizens Advisory
3 Board, (the "CAB"); and

4 WHEREAS, The CAB has met monthly since December 2000, and has
5 appointed members of the CAB to serve on various subcommittees; and

6 WHEREAS, At a regularly scheduled meeting of the Authority in March 2002,
7 the Authority agreed to enter into the first amendment providing any member who is
8 subject to be terminated to submit a written appeal to the full CAB prior to the next
9 regularly scheduled meeting, and participate as a member of a subcommittee or
10 attend special meetings of the CAB in order to constitute a credit of one half of a
meeting against any such absences; and

11 WHEREAS, The second amendment would allow any member who is subject
12 to be terminated to submit a written appeal to the full CAB prior to the next regularly
13 scheduled meeting, and participate as a member of a subcommittee or attend special
14 meetings of the CAB in order to constitute a credit of one full meeting against any
such absences; and

15 WHEREAS, The Executive Director and the CAB recommend the Board of
16 Directors for the Authority approve the second amendment; now therefore, be it

17 RESOLVED, That the Board of Directors hereby approves the second
18 amendment to the CAB bylaws in the form attached hereto as Exhibit A.
19

20 CERTIFICATE OF SECRETARY

21 I hereby certify that I am the duly elected and acting Secretary of the Treasure Island
22 Development Authority, a California nonprofit public benefit corporation, and that the
23 above Resolution was duly adopted and approved by the Board of Directors at a
24 properly noticed meeting on January 8, 2003.

25 _____
William Fazande, Secretary



Exhibit A

Section 5. Article IV

Beginning on January 1, 2002, any member who is absent for four (4) of any regularly scheduled meetings during any twelve (12) month period shall automatically be terminated subject to a written appeal to CAB prior to the next regularly scheduled meeting. Attendance at a scheduled subcommittee meeting or special meeting of CAB shall constitute a credit of one full meeting against any such absences. Any resulting vacancy shall be filled for a new term. If the vacancy is an appointee of the Board of Supervisors, the Board of Supervisors shall appoint the replacement. If the vacancy is an appointee of the Mayor, the Mayor shall appoint the replacement.

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TREASURE ISLAND DEVELOPMENT AUTHORITY
City and County of San Francisco

Agenda Item No. 10

January 8, 2003

Subject: Resolution Authorizing the Executive Director to Execute an Amendment to the Sublease with California Engineering Contractors to Extend the Term of the Sublease One Year to January 31, 2004. (Action Item)

Staff Contact: Stephen Proud,
Marianne Conarroe
(415) 274-0660

SUMMARY OF PROPOSED ACTION

Staff is requesting that the Authority approve an extension of term for the sublease with California Engineering Contractors, Inc./Modern Continental ("CEC") for an additional one year term not to exceed beyond January 31, 2004 and to include the occasional use of a portion of Pier 1 on Treasure Island.

BACKGROUND

In February, 2000, the Authority entered into a Sublease with California Engineering Contractors, Inc. for the use of one square block area consisting of approximately three acres of unimproved land bounded by Avenue F, Avenue H, 11th Street and 9th Street on Naval Station Treasure Island. The purpose of the space is to be used as the equipment yard for the seismic retrofit of the western span of the Bay Bridge.

In September 2000, the Project Office issued a month-to-month, (not to exceed six months) Use Permit to provide CEC access to a portion of Pier 1 for the purpose of transporting employees to the base of the bridge via a water taxi tugboat. The Authority has approved an extension of the term for the Use Permit four times in the past two years, each for a term not to exceed an additional six months.

In November 2000, the Sublease was amended to add certain lands consisting of approximately 22,960 square feet to the subleased Premises, in exchange for a \$3,444 per month increase in the monthly base rent. In September 2001, the Authority approved a second amendment to the Sublease to add certain lands consisting of approximately 71,400 square feet to the subleased Premises, in exchange for \$10,710 per month increase in the monthly base rent. In May 2002, the Authority approved the third amendment to the Sublease to exchange equal acreage of parcels of property in order to allow the U.S. Navy to complete the environmental remediation in portions of the initial equipment yard.



In September of 2002, the Authority was asked to approve the fourth extension of term to the Use Permit for the use of Pier 1. At that time, the Authority asked staff to incorporate the provisions of the Use Permit into the Sublease when an extension of the term for the Sublease was to be approved by the Authority.

The resolution and amendment reflects the interests expressed by the Board members of the Authority to incorporate the provisions of the Use Permit for the use of a portion of Pier 1, and extends the term to January 31, 2004.



1 [California Engineering Contractors/Modern Continental Sublease, Extension of Term]

2 **AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE AN AMENDMENT TO THE SUBLEASE WITH**
3 **CALIFORNIA ENGINEERING CONTRACTORS TO EXTEND THE TERM OF THE SUBLEASE FOR AN**
4 **ADDITIONAL TWELVE MONTHS TO EXPIRE ON JANUARY 31, 2004.**

5 **WHEREAS**, On May 2, 1997, the Board of Supervisors (the "Board") passed Resolution No.
6 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit
7 corporation known as the Treasure Island Development Authority (the "Authority") to act as a single
8 entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of
9 former Naval Station Treasure Island (the "Base") for the public interest, convenience, welfare and
10 common benefit of the inhabitants of the City and County of San Francisco; and,

12 **WHEREAS**, Under the Treasure Island Conversion Act of 1997, (the "Act"), the California
13 legislature (i) designated the Authority as a redevelopment agency under California redevelopment law
14 with authority over the Base upon approval of the City's Board of Supervisors, and, (ii) with respect to
15 those portions of the Base which are subject to the Tidelands Trust, vested in the Authority the
16 authority to administer the public trust for commerce, navigation and fisheries as to such property; and,

18 **WHEREAS**, the Authority and California Engineering Contractors/Modern Continental, Inc.,
19 (CEC) entered into a Sublease dated February 1, 2000 (the "Sublease") under which the Authority
20 subleased to CEC a one square block area consisting of approximately three (3) acres of unimproved
21 land bounded by Avenue F, Avenue H, 11th Street and 9th Street on Treasure Island for work related to
22 the seismic retrofit of the western span of the Bay Bridge; and

24 **WHEREAS**, On October 11, 2000, the Authority approved an amendment to the sublease to
25 add approximately 3,444 square feet to the subleased premises; and



1 **WHEREAS**, on September 12, 2001, the Authority approved a second amendment to the
2 Sublease adding an additional 71,400 square feet to the subleased premises in exchange for \$10,710.
3 per month increase in the monthly base rent under the Sublease and First Amendment to the Sublease;
4 and

5 **WHEREAS**, on May 8, 2002, the Authority authorized a third amendment to the sublease to
6 remove the portion of premises bounded by Avenue H, Avenue I, 11th Street and 13th Street in
7 exchange for the use of the area bounded by Avenue E, Avenue H, 11th Street and 12th Street to the
8 sublease; and
9

10 **WHEREAS**, CEC currently pays the Authority a monthly fee of \$36,829.12 for the use of the
11 subleased area; and

12 **WHEREAS**, in September 2000, the Authority entered into a licensed agreement or Use Permit
13 whereby the Authority granted CEC a nonexclusive license to enter and use a portion of Pier I on the
14 southeastern corner of Treasure Island, for the purpose of transporting CEC employees via a ferry tug
15 operated by Westar Marine Services from Pier I to the base of the Bay Bridge; and
16

17 **WHEREAS**, in addition to the above mentioned monthly fee, CEC pays the Authority a fee of
18 \$1,000 per month for the sporadic use of Pier I as provided in the month-to-month Use Permit; and

19 **WHEREAS**, on October 9, 2002, the Authority approved an extension of the term for the Use
20 Permit for CEC's use a portion of of Pier I not to exceed beyond the term of the Sublease between the
21 Authority and CEC and expressed the interest to fold the provisions of the Use Permit for the use of a
22 portion of Pier I into the Sublease for the lay-down space dated May 17, 2002; now therefore be it
23
24
25







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FOURTH AMENDMENT TO

SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

CALIFORNIA ENGINEERING CONTRACTORS, INC.

as Subtenant

For the Sublease of

**One Square Block Area Consisting of Approximately Three Acres of Unimproved Land
Bounded by Avenue E, Avenue H, 11th Street and 12th Street, and a Portion of Pier 1
On Naval Station Treasure Island
San Francisco, California**

January 8, 2003



FOURTH AMENDMENT TO TREASURE ISLAND SUBLEASE

THIS FOURTH AMENDMENT TO SUBLEASE (the "Amendment"), dated as of January 8, 2003, is entered into by and between the Treasure Island Development Authority ("Sublandlord") and California Engineering Contractors, Inc., a California corporation ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Amendment is made with reference to the following facts and circumstances:

- A. On or about February 1, 2000, Sublandlord and Subtenant entered into that certain sublease agreement (hereafter, the "Sublease") for the sublease of one square block area consisting of approximately three acres of unimproved land bounded by Avenue F, Avenue H, 11th Street and 9th Street on Naval Station Treasure Island, all as shown on Exhibit B of the Sublease.
- B. On or about November 1, 2000, the Parties amended the Sublease to add certain lands consisting of approximately 22,960 square feet to the subleased Premises, all as shown on Exhibit B-1 of the Sublease, in exchange for a \$3,444 per month increase in the monthly base rent under the Sublease.
- C. On or about September 12, 2001, the parties amended the Sublease to add certain lands consisting of approximately 71,400 square feet to the subleased Premises, as shown on Exhibit B-2 of the Sublease, in exchange for \$10,710 per month increase in the monthly base rent under the Sublease and First amendment to the Sublease.
- D. On or about May 15, 2002, The Parties, through the approval of the Authority, amended the Sublease to replace the lands shown and described in Exhibit B-2 with the comparably sized land shown and described in Exhibit B-3 with no change in the total monthly rent for the entire Premises.
- E. The Parties have previously entered into a separate license agreement dated September 2000, (the "License Agreement") whereby the Sublandlord granted to the Sublessee a nonexclusive license to enter and use a portion of Pier 1 on the southeastern corner of Treasure Island, all as more particularly described in Exhibit B-4 attached hereto (hereafter, the "License Area"), for the purpose of transporting of CEC employees via a ferry tug operated by Westar Marine Services from Pier 1 to the base of the Bay Bridge.
- F. The Parties wish to (i) terminate the License Agreement for the License Area, (ii) incorporate certain terms and conditions of the License Agreement into this Sublease and make the term of the license to use the License Area co-terminus with the term of this Sublease, and (iii) extend the Term of the Sublease to June 30, 2004.

NOW THEREFORE, Sublandlord and Subtenant agree to amend the Sublease as follows:

- 1. The Sublease is hereby amended by adding a new Section 21.12 to read as follows:



"21.12 **License to Use Portion of Pier 1.** Sublandlord hereby confers a personal, non-exclusive and non-possessory privilege to enter upon and use that portion of Pier 1 (the "License Area") on Treasure Island as depicted on Exhibit B attached to the Use Permit, which Use Permit is attached to this Sublease as Exhibit B-4 (the "Use Permit"). The privilege to use the License Area shall be subject to all of the terms and conditions of the Use Permit except Section 8 of the Use Permit. The term of the privilege conferred under this Section 21.12 shall commence on the date that this Amendment is fully executed and shall terminate on the termination date of this Sublease. As to the License Area only, where there are any ambiguities or inconsistencies between the terms and conditions of this Sublease and the terms and conditions of the Use Permit (as modified under this Section 21.12), the terms and conditions of the Use Permit (as modified under this Section 21.12) shall control."

2. The Term of the Sublease is hereby amended to extend the termination date thereof to June 30, 2004.

3. Except as expressly modified herein, all other terms, conditions, and covenants of the Sublease, including without limitation, the amount of the monthly rent to be paid hereunder (as modified by previous amendments to the Sublease), shall remain in full force and effect.

By this Amendment, the Parties hereby terminate the License Agreement and agree that beginning on the date first set forth above and continuing for the remainder of the Term of the Sublease, Sublessee's rights and obligations with regard to the License Area shall be governed by the terms and conditions of this Sublease (including without limitation, the terms and conditions referred to in new Section 21.12 above) as it has been and may in the future be amended from time to time.

Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

California Engineering Contractors, Inc.,
a California corporation

By: _____
Its: _____

SUBLANDLORD:

The Treasure Island Development Authority

By: _____
Its: Executive Director



Approved as to Form:

Deputy City Attorney



EXHIBIT B DIAGRAM OF PREMISES

Exhibit B DIAGRAM OF PREMISES

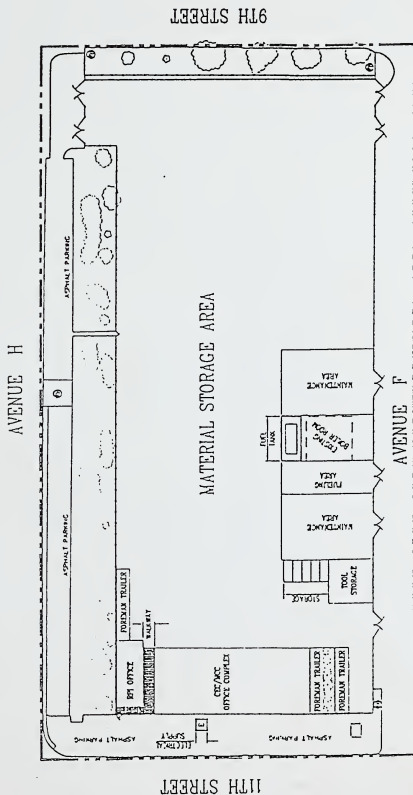




Exhibit B-1

First Amendment – Diagram of Premises



EXHIBIT B-1
22,960 square feet

AVENUE F

AVENUE E

9TH STREET

11TH STREET

257

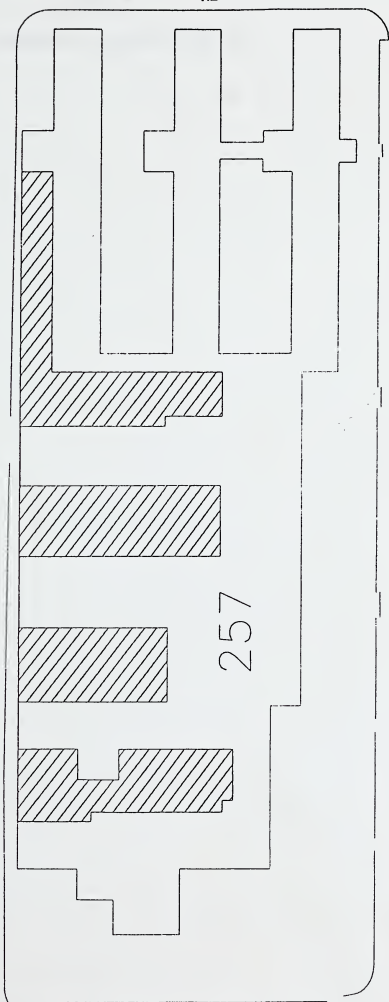




Exhibit B-2

Second Amendment – Diagram of Premises




[illegible]

11th STREET

Existing Tree =

DELIVER ON
CUMULATIVE SAM FRAMEWORK
MEANT DO
UNIQUE NO 31-0003
PUB. NO. 55 / 78

EXHIBIT B-2

 **california
engineering
contractors, inc.** 20 Maple Valley Road, Pleasanton, CA 94566
(925) 461-1500 • Fax (925) 461-2516

STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION
EARTHQUAKE RETROFIT PROJECT NO.18
SAN FRANCISCO OAKLAND BAY BRIDGE

ACKNOWLEDGMENTS

[illegible]

CONTRACT: 04-043504 Lot To Be Leased From Navy TREASURE ISLAND		LNAME Anna S. REV NO 0 DATE 08/31/01 DMC NO N/A	SCALE not to scale JOB NO N/A
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Exhibit B-3

Third Amendment – Diagram of Premises



Exhibit B-4

**Fourth Amendment – Use Permit for
Portion of Pier 1**

(Attach Use Permit and Exhibit of License Area)

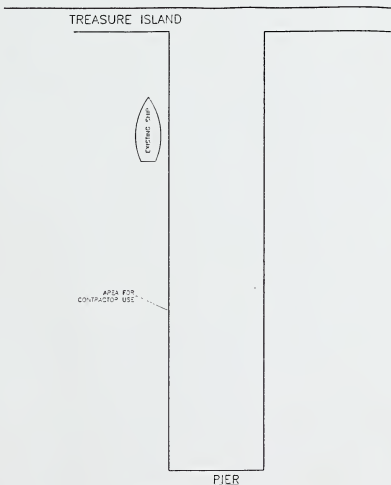


Exhibit B-4

Subtenant may enter and use a portion of Pier 1 for the purpose of loading and unloading approximately 25 passengers onto a Westar Water Taxi. As well as for the purpose of loading and unloading equipment as specified in prior written notice provided by Subtenant.

Parking of any vehicles on Pier 1 is strictly prohibited except for the sole purpose of loading and unloading of equipment. Parking of vehicles shall not exceed more than 25 (Twenty Five) vehicles and is available off of the Pier next to the entrance gate.

Use of Pier 1 shall automatically expire at 6:00 p.m. on January 31, 2004.



C	CARRYING Engineering Contractors Inc. 1013 Sanson Ave. Suite 100, San Francisco, CA 94109	STATE OF CALIFORNIA DEPARTMENT OF TRANSPORTATION EARTHQUAKE RETROFIT PROJECT NO. 18 SAN FRANCISCO OAKLAND BAY BRIDGE	REV.
			DATE
C	MODERN CONTINENTAL	REV. NO. 1	DATE



Notes

AGENDA ITEM

Treasure Island Development Authority City and County of San Francisco

Subject: Presentation of the Revised Response to the
Focused Request for Proposal Prepared by
Treasure Island Community Development for
Redevelopment of Former Naval Station Treasure Island

Agenda Item No. 11
Meeting of January 8, 2003

Contact/Phone: Annemarie Conroy, Executive Director
Stephen Proud, Director of Development
274-0660

BACKGROUND

On June 14, 2000, the Authority authorized the issuance of a Request for Qualifications for a Primary Developer ("Primary Developer RFQ") for former Naval Station Treasure Island. On October 27, 2000, staff issued approximately 500 copies of the Primary Developer RFQ to interested parties. Staff held a pre-submittal meeting on Treasure Island on December 5, 2000 to address questions from potential respondents regarding the RFQ process. Submittals for the RFQ were due to the Authority office on February 1, 2001. On that date, the Authority received two responses to the RFQ, which were distributed to the Authority Board members for review. The two responses were from Navillus Associates and Treasure Island Community Development ("TICD").

On July 11, 2001, Authority staff presented the findings of an independent review of the two proposals conducted by Keyser Marston Associates, working in conjunction with Arthur Andersen and Dean Macris. The conclusions reached by the consultant team, with the concurrence of staff, was that TICD met all the evaluation criteria set forth in the RFQ and thus is an entity that could assume the responsibility of Primary Developer for Treasure Island, and the Navillus did not meet the evaluation criteria.

Given the low response rate to the RFQ, the Authority directed staff to conduct a brief study to assess the possible reasons for the lack of developer interest and make recommendations regarding how to proceed. On September 12, 2001, staff presented the findings of a report prepared by Bay Area Economics that concluded there are no 'quick fixes' the Authority can undertake to improve the development climate at Treasure Island. To avoid delay and to better assess whether proceeding with TICD's best achieves the Authority's goals, the Authority authorized staff to proceed with the original solicitation process by preparing a focused Request for Proposal ("RFP") for the Board's consideration.

On April 10, 2002, the Authority reviewed the focused RFP and authorized staff to issue the document to Treasure Island Community Development. The RFP was developed via a public process that included meetings with the Authority Board, members of the Treasure Island Citizens Advisory Board ("CAB"), and comments provided by organizations, individuals and government agencies. The focused RFP was issued to TICD on April 15, 2002.

On July 2, 2002, TICD submitted its initial response to the RFP to Authority staff (the "Draft Proposal"). Copies of the Draft Proposal were provided to the Authority Board, members of the Treasure Island Citizens Advisory Board, the San Francisco Board of Supervisors, and interested members of the public. TICD made presentations of the Draft Proposal at several public meetings held in San Francisco and on Treasure Island to solicit input from the public. In addition, the Treasure Island/Yerba Buena Island Citizen's Advisory Board (the "CAB") held 16 meetings to discuss the Draft Proposal and prepare comments that were forwarded to the Authority Board.

On January 2, 2003, TICD submitted a revised proposal for the Authority's consideration. A copy has been sent to the Authority Board and the members of the CAB under separate cover. This agenda item provides the first opportunity for TICD to make a full presentation of the revised proposal to the Authority Board. TICD will also



present the revised proposal to the Treasure Island/Yerba Buena Island CAB and they will review the proposal and provide comments to the Authority Board.

Following the initial presentation to the Authority Board and CAB, a consultant based Review Committee with expertise in relevant subject areas (e.g., planning and urban design, real estate economics, engineering, etc.) will evaluate and analyze the final submittal prepared by TICD, based on the detailed evaluation criteria set forth in the RFP. The analysis of the Review Committee will be presented to the Authority for its consideration at a public hearing. The Authority Board will make the final decision as to whether to proceed with TICD or take such other action as the Authority may decide in its sole and absolute discretion. If the Authority, based on TICD's final proposal, elects to proceed with TICD as a potential Master Developer for Treasure Island, the Authority will enter into an Exclusive Negotiations Agreement ("ENA") with the TICD.

Pursuant to a specific schedule of performance set forth in the ENA, the Authority and the Developer will negotiate and prepare any deeds, leases, development agreements and other documents related to the development of the Project (together, the "Transaction Documents"). After the completion of all required environmental review under California Environmental Quality Act ("CEQA") and any regulatory approvals required as a condition of such approvals, the Transaction Documents will be presented to the Authority, the City's Board of Supervisors and the Mayor, for approval in their respective sole and absolute discretion.



Notes

Lined paper for notes with horizontal blue lines.

Notes

Notes

1/12/03
OFFICE OF THE MAYOR
/SAN FRANCISCO

3F
74
2
alt
1/6/03
TREASURE ISLAND DEVELOPMENT AUTHORITY
410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
WWW.SFGOV.ORG/TREASUREISLAND



WILLIE LEWIS BROWN, JR.

DRAFT Minutes of Meeting
Treasure Island Development Authority
January 8, 2003

City Hall, Room 400
1 Carlton B. Goodlett Place
San Francisco, CA

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FEB - 7 2003

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1. Call to order 1:38 PM

Roll Call Present: Claudine Cheng (Chair)
William Fazande (Vice-Chair)
John Elberling
Susan Po-Rufino
Marcia Rosen

Excused: Gerald Green
Doug Wong

2 There was no public comment on the possible closed session item .
Commissioner Cheng motioned for the TIDA board to move to closed session for Agenda Item 2
Commissioner Fazande seconded the motion
The motion passed unanimously

The TIDA Board went to closed session at 1:40 PM

3. The TIDA Board reconvened in open session at 2:12 PM
Commissioner Elberling motioned not to disclose any discussions held in closed session
Commissioner Elberling seconded the motion
The motion was approved unanimously

4. The minutes were motioned for approval by Commissioner Elberling
Commissioner Fazande seconded the motion
The motion passed unanimously

5. Director's Report given by Executive Director Annemarie Conroy:
Public Use: 80 private parties scheduled throughout the year, Subaru to shoot commercial in Building 180 next week, Fox Sports Net to hold annual baseball luncheon in Building 1 in February
Environmental cleanup status: Stephen Proud of TIDA working with Navy on getting Child Care Center environmental remediation finished and center open
Short term leases: No new short term leases
Caltrans/Bay Bridge: One major issue involving electrical feeds for Treasure Island. Main feed is a WAPA submarine cable from East Bay. Potential for this cable to be disturbed by new Bridge construction, Cable will potentially be moved during construction, at Navy's expense. Navy not interested in paying this expense. If this cable is disturbed or damaged there will be loss of power to Island due to fact that backup power PG&E cable from San Francisco, Bay Cable 6, is out and PG&E has no plans to

repair it. TIDA bringing generators to Island for power in case of an emergency, it costs \$400,000 to \$500,000 a month to power these generators. TIDA staff continues negotiations with CalTrans and San Francisco PUC for protection of power cable

Commissioner Elberling asked how PG&E can legally abandon service, and if the Raker Act requires PG&E to provide service to the City and County of San Francisco

Ms. Conroy stated that staff is researching if there are any obligations on PG&E's part to service federal enclaves, just as City and County is required to provide service to federal enclave such as U.S. Coast Guard and Job Corps Center that would be affected by loss of power. Generators are presently on Island as back-up power supply, but are quite expensive.

Community Issues: Treasure Island Homeless Development Initiative opened a Service Center recently. Wonderful event, attended by Commission Chair Cheng. Ms. Conroy acknowledged John Stewart, of the John Stewart Company, and his wife Gussie Stewart, who personally guaranteed the loan for the Service Center with their own personal assets. Mr. and Mrs. Stewart have been extremely generous and supportive of TIHDI.

Citizens' Advisory Board: Next CAB meeting January 16, 2003. CAB will review final proposal submitted by Treasure Island Community Development.

TIHDI Report: No new TIHDI news

Financial report: TIDA has hit 50% of revenues as of January 8, 2003, on track for budget. 25% of expenses hit so far as well, on track with this as well.

Legislation: No current legislation pending. Usual budget preparation will start much earlier, including presentations to Board of Supervisors.

6. There were no new communications received by the TIDA Board

7. There was no ongoing business discussed by Directors

8. General Public Comment

Ms. Sherry Williams, Executive Director of Treasure Island Homeless Development Initiative (TIHDI) thanked Annemarie Conroy for speaking at Service Center opening in December and thanked Commissioner Cheng for attending as well. Thanked TIDA Deputy Director Stephen Proud for his work with the child care center. Informed TIDA board that plan for recreation services has been put together, along with Embarcadero YMCA and the San Francisco Boys and Girls Club, to provide services for all Treasure Island residents, youth and adults. Hope to start these programs by the end of February.

Michael Cosby of the Boys and Girls Club of San Francisco and Sean Drese of the Embarcadero YMCA thanked the TIDA board for their support of recreation activities on Treasure Island. Recently opened a teen department for Treasure Island. It is a huge step forward to begin health and fitness program on Treasure Island, they look forward to a long relationship with TIDA.

9. Ms. Marianne Conarroe, of TIDA staff, presented an amendment to the Treasure Island/Yerba Buena Island Citizen's Advisory Board (CAB) as related to attendance. The amendment stated that attendance credits for sub-committee attendance would be retroactive to January 1, 2002 in order to provide credits for CAB members that diligently attended sub-committee meetings to review the draft development proposal.

Ms. Karen Knowles-Pearce, Chair of TI/YBI CAB, recommended supporting the amendment. Stated that there have been numerous sub-committee meetings that people attend and hopes TIDA Board approves retroactive amendment.

Commissioner Cheng asked if there were any vacancies on the CAB

Ms. Conarroe stated that there are currently 19 members on the CAB out of a possible 25 members. Some of the vacancies are the Board of Supervisors responsibility and some are the Mayor's responsibility

There was no public comment on this item

Commissioner Fazande motioned for approval

Commissioner Po-Rufino seconded the motion

Motion was approved unanimously

Commissioner Cheng thanked Ms. Knowles-Pearce for her leadership as TI/YBI CAB chair and conveyed the TIDA Board's thanks to the entire CAB for their work

10. Ms. Conarroe of TIDA staff presented an extension of the Sublease with California Engineering Contractors (CEC) for an additional year to January 31, 2004. This amendment "folds in" CEC's additional sublease for part of Pier 1 on Treasure Island into the master sublease and also extends the term of the sublease one additional year. Internal staff discussion has indicated a possibility to instead extend the sublease for 18 months instead of 12 months

Mr. Stephen Proud, of TIDA staff, indicated that the idea behind suggesting extending the sublease for 18 months instead of the original 12 months was based on the overall schedule of the Bay Bridge retrofit project that CEC is working on. CEC has indicated to staff that an 18 month term would cover the finish of that project, at which time the property would be turned back over to TIDA and any deposits necessary would be returned to CEC. There would be no need to come back in another 12 months for what would be only an additional 6 month sublease

Commissioner Cheng asked what the monthly fee would be for the additional 6 month extension Mr. Proud stated that the monthly fee would be the same. Staff did not propose a rent increase for these six months due to market conditions and the feeling that TIDA was still receiving fair market value for the space. Use of Pier 1 is for non-exclusive use but current exclusive use area would remain that way

Ms. Conarroe stated that CEC has already hired one TIHDI member through the job-broker program, that person has worked out well, and are eager to hire more when they become available. CEC also uses Toolworks for janitorial services

Public Comment

Ms. Sherry Williams from TIHDI stated that there is a successful job placement with CEC and hope to have more opportunities as more jobs become available.

Commissioner Rosen motioned for approval of the item, as amended to an 18 month extension from the original 12 month extension

Commissioner Cheng seconded the motion

The motion passed unanimously.

11. Treasure Island Community Development presented a revised proposal in response to the Focused Request for Proposal for the Primary Developer for Former Naval Station Treasure Island.

Mr. Jay Wallace of Kenwood Investments, Managing Member of Treasure Island Community Development (TICD) presented the revised development proposal. Final plan has significant changes. After hearing comments and review of draft proposal, TICD saw key issues as increasing public access to shoreline, increasing activity at Island core, reducing amount of 'flex-space', better illustration of housing and urban design, clarifying transportation and parking plans, refined Yerba Buena Island open space plan, create new jobs, funding public amenities on Island, and several major revisions to business transaction. Many important concepts retained as well, including T.I. Museum, rehabilitation of Nimitz House and officers quarters, film production in Building 2 and 3, Delancy Street Life Learning Academy, T.I. Sailing Center and marina, child care center, and wetlands and environmental center. Highlighted that housing has been pulled back from shoreline and new housing placed at Island core and new parks have been created. Stated that TICD is very excited that comments have been incorporated into new proposal.

Ms. Karen Auschuler, of SMWM, spoke regarding land-use issues in revised proposal. Concentrated on revisions based on response and public comments. Key land use revisions include intent to balance varied land-use necessities. Still centered around 6 districts on Islands, but now linked together in a different way. Took idea of Serpentine Park and used it as a vehicle to move people throughout the whole Island. Also felt that by expanding public areas around water this design would make it a continuous regional facility.

Greater concentration of housing closer to ferry terminal expected to encourage people to use ferry terminal and other alternate transportation modes. Proceeded to point out key revisions in different districts: Sailing Center expanded with more outdoor and indoor space, Cultural Center moved to arrival point at ferry terminal.

Island Core: housing placed into core in three more housing sites, hotels placed next to each other to work efficiently.

Cityside: housing recessed or removed from shoreline in various locations, placement of several play areas, Treasure Island Chapel retained within exposition gardens, Serpentine Park now links to Gateway Boulevard. As a result a narrow parkway now extends the length of the Island on the western side, solidifying its use as public space. 7 acre park built along shoreline where previous housing was proposed. Northern Edge: wetlands and environmental center still present. Streets that run east-west through the Island have been enhanced to respond to request to re-enforce pedestrian enhancement of these streets. Eastern Edge: all buildings moved back from shore, new Shipwatch park created looking towards East Bay. Small district park and retail retained to serve neighborhood. Gymnasium retained on major east-west corridor on Island.

Yerba Buena Island: worked on improving trails and connections on Island and identifying larger areas for parks to improve regional use aspect of Island. Spoke more on approach to Yerba Buena Island, based on a "light touch" of historic preservation and reuse. Focus on habitat restoration and sustainability practices.

Parking numbers and location in support of major concept of using alternative transportation to get to and from the Island. Proposal includes one private parking space per residential unit, 600 spaces for the hotel, and a number of various public facilities, including a public garage and scattered public spaces and 1280 on-street parking spaces throughout the Island. Housing and Urban Design revisions include articulating how street plan in a grid structure would still give a unique neighborhood feel. Possibility of townhouse areas on several blocks as well. Prototypes depend on whether views to water or access to other parts of Island are desired. Plan uses average of 1250 square feet per unit, allows for full range from studio to four bedroom floor plans. Parking can be included on inside of block and fully screened from outside of blocks and street view. Critical to understand how balance between open space and build space is going to work on Treasure Island, feel they have changed that balance.

Mr. Kevin Conger, of CMG Architects, spoke regarding improvements to the open space plan. Revisions include new 'Pacifica Park' and recession of housing on west side of Island, new 'Shipwatch Park' on the east side of the Island, accentuated connection between Serpentine Park and west side and Yerba Buena Island. 350 foot setback on western shoreline provides for creation of 7 acre Pacifica Park. Park can handle variety of uses due to good size. New 'Shipwatch Park' also created by pulling building back 250 feet on eastern shoreline. Indication of viewing areas and pathways throughout the park. Yerba Buena Island to have 70 acres restored and enhanced throughout. Several destinations include the beach, Hilltop Park, overlook and vista points. Areas for picnic sites identified near Hilltop Park. View overlooks identified as well on Yerba Buena Island.

Mr. Jay Wallace indicated that these two previous presentations highlighted the main revisions to the physical land-use plan. Introduced Don Larsen of Lenarr Communities to discuss business side of plan.

Mr. Don Larsen, of Lennar Communities, spoke regarding financial aspect of revised proposal. Stated that the basic aspects of the business plan have not changed. TICD views itself as a 'horizontal developer', and that 'vertical development' will be turned over to members of the partnership or sold to other vertical developers. Plan still economically feasible. Key revisions include extending development period of pro forma by two years from 10 to 12 years. This is necessary to allow smooth transition to new housing from previously present housing, especially for low income units. This process will be divided into four phases. Another important revision is increased ground lease payments to the Treasure Island Development Authority, in order to create a payment mechanism for TIDA expenses. Plan to cover TIDA operating expenses during development. The clarification of capital sources for development of Island includes revenue bonds, bonded against existing housing income stream to provide initial capital for beginning of development. Second source of financing is tax increment bonds, which is based on increased valuation of Island as development progresses. Both of these bonds are secured bonds. Last source of capital is equity investment from TIUCD partners. This source is unsecured and subject to risks of fluctuations and

changes, totals approximately \$34 million dollars. Difference in total capital necessary is made up from internally-generated funds from sale or leasing of land. Post-development financing mechanism for Island proposed through tax-increment funds available and establishment of a Meloruse district to care for open spaces on Island. Assessment for a residential homeowner in such a district would be approximately \$650 dollars a year, as well as \$19,000 per developed acre per year assessment for commercial components as well. This assessment would not pertain to TIDA or TIHDI units. Proposal plans for 284 units of TIDA land to be sold or developed at the wishes of the Authority

Ms. Janet Smitheimer, Managing Principle with Bay Area Economics, spoke regarding the affordable housing component of the development proposal. 927 units are proposed as affordable housing units, 676 affordable rental units serving incomes ranging from low to 60% of area median income including 242 replacement units for TIHDI as well as land for an additional 71 units. Plan also includes 284 "agency" units controlled by TIDA, and 79 inclusionary units mixed within market rate rental units. Also an affordable ownership component that is 251 units targeted at 100% area median income

Mr. Wallace spoke regarding job generation in the development plan. Based upon land use program, TICD believes approximately 2,500 new jobs will be created through the development process, which still exceeds the estimate the City of San Francisco put forward in its EDC application several years ago. Still hopeful that the job generation component of no-cost EDC can still be met

Commissioner Rosen thanked the developer for a concise presentation and thoughtful revisions to the plan. Asked if the Meloruse District was proposed to staff ongoing programming of open space and recreation uses, or simply for security and landscaping duties

Mr. Wallace stated that the Meloruse is used to take care of landscaping and upkeep of Island, operations and maintenance, and less to do with programming elements such as personnel for recreation programs Commissioner Rosen asked for clarification on pedestrian access from the ferry terminal to different parts of the Island

Ms. Auschuler demonstrated on a map of the proposed development different possibilities for walking around the Island. Indicated pedestrian paths that lead along eastern shore of Island along two Shipwatch Parks. It is possible to walk around the perimeter of the Island on a pedestrian walkway. Also walking access through the wetlands area, this access also leads to the sail boarding launch area past the wetlands. Pedestrian access continues on the western shoreline and then up along the causeway into Yerba Buena Island, if desired. Another option is to follow wooded access road into the core of the Island following the Serpentine Park. These and other options also incorporate pedestrian access on roads that cut across the Island.

Commissioner Elberling asked what the annual revenue to TIDA would be once build-out is complete.

Mr. Larsen stated that the amount of revenue is dependent on however TIDA decides to utilize the 284 land pads set aside for TIDA. These are potentially a source of income as well. On top of that, there is roughly \$1.3 million in tax-increment revenue available to TIDA. This tax increment would increase past year 13 based on continued development of housing.

Commissioner Elberling stated this funding stream is significant because it would support additional recreation programming or community programs that Ms. Rosen mentioned earlier. Stated that community facilities should be clarified as to their intended usage. Asked where the community facility mentioned earlier would be included.

Mr. Wallace stated that the community facility would be included in the cultural center and also included as part of the neighborhood serving retail areas as well as the affordable housing areas are expected to contain several community serving facilities incorporated with affordable housing programs.

Commissioner Elberling stated Treasure Island has the potential to accommodate families more so than other areas of San Francisco, especially the trend of families moving out of San Francisco. Stated it would be good to define a goal of encouraging family living so that the population does not end up being the "default mode" of mostly adults or families with only small children.

Commissioner Cheng asked if there will be any more financial disclosures or guarantees forthcoming

Mr. Wallace stated that in conversations with the City Attorney's Office, TICD was advised that they had to provide either a guarantee from Lenar Corporation, the entity identified by consultant Keyser-Marsten as

the appropriate entity to provide such guarantee, or provide additional financial information from the other two privately held partners in TICD. After consulting with the City Attorney's Office and TICD's own counsel, TICD feels that the guarantee language in the proposal was sufficient

Mr. Michael Cohen, Deputy City Attorney, stated that corporate guarantees are combined with assurity bonds and insurance policies under the "umbrella" known as credit enhancement. Under CEQUA, TIDA is unable to approve an agreement until the CEQUA process is completed, and no guarantee can be secured before that point. TIDA tried to signal very clearly that a guarantee would eventually be required by Lenar. This issue will be addressed incrementally over time, based on scope of work necessary at various periods in development process

Commissioner Cheng asked about planning for emergencies or emergency medical needs

Mr. Wallace stated that this planning requires more attention, but it is not a plan that TICD can formulate alone. It should be a group effort by all groups on Island, including S.F. Fire and Police Departments, U.S. Coast Guard, Job Corps, and various others. Ferry terminal will be up and running in early stages of development and can provide primary area for evacuation if necessary. Also stated that medical and dental facilities are anticipated as part of neighborhood serving retail.

Commissioner Fazande asked about replacement of water and utility lines on Treasure Island and Yerba Buena Island. Also asked about plans for sewage treatment and the availability of an emergency water supply for the Islands

Mr. Wallace stated that water and utility lines will be replaced. Also the sewage treatment is planned to be sent to East Bay MUD. Stated there is a water storage tank on Yerba Buena Island. Infrastructure budget for development plan includes construction of a 1 million gallon storage tank on Yerba Buena Island as well

Commissioner Fazande asked if MUNI is in favor of the proposed 10 minute frequency for bus service to the Island

Mr. Wallace stated that TICD has had preliminary discussions with MUNI staff and an agreeable solution should be achieved fairly easily

Public Comment:

Sherry Williams, Executive Director of TIHDI, spoke on the proposed TIHDI replacement units. Stated that TIHDI is currently reviewing the overall revised proposal and is working with TICD on this. Stated that TICD has been very cooperative with TIHDI during the housing discussions in trying to "make this work for everyone"

Ms. Eve Bach, of ARC Ecology, spoke in response to the proposed development plan. Disappointed that TICD didn't rethink land use plans, instead "nibbled at the edges" by moving housing farther away from shoreline. Also worried about fiscal feasibility in terms of using tax-increment funding to fund basic services. Meloruse district could be a good idea but need to remember to add these costs into overall costs of affordable housing plans.

12. Mr. Proud stated that discussion of the revised proposal will be calendared for the February meeting as well

13. The meeting adjourned at 4:20 PM

OFFICE OF THE MAYOR
SAN FRANCISCO

TREASURE ISLAND DEVELOPMENT AUTHORITY
410 AVENUE OF THE PALMS,
BLDG. ONE, 2ND FLOOR, TREASURE ISLAND
SAN FRANCISCO, CA 94130
(415) 274-0660 FAX (415) 274-0299
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WILLIE LEWIS BROWN, JR.

TREASURE ISLAND DEVELOPMENT AUTHORITY
MEETING AGENDA
February 12, 2003 1:30 P.M.

Room 400, City Hall
1 Dr. Carlton Goodlett Place

Willie L. Brown, Jr., Mayor

DIRECTORS

Claudine Cheng, Chair
William Fazande, Vice-Chair
John Elberling
Marcia Rosen

Gerald Green
Susan Po-Rufino
Doug Wong

Annemarie Conroy, Executive Director
Peter Summerville, Commission Secretary

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FEB - 7 2003

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ORDER OF BUSINESS

1. Call to Order and Roll Call
2. Approval of Minutes (*Action Item*)
3. Report by Executive Director Annemarie Conroy (*Discussion Item*)
 - Report on access to Treasure Island including public use last month
 - Status of environmental clean up
 - Report on short-term leases
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
 - Report on Treasure Island community issues
 - Report on Citizens Advisory Board
 - Report on TIHDI
 - Financial Report
 - Legislation/hearings affecting Treasure Island
4. Communications (*Discussion Item*)
5. Ongoing Business by Directors (*Discussion Item*)
6. General Public Comment (*Discussion Item*)

In addition to General Public Comment (Item #6), Public Comment will be held during each item on the agenda.
7. Resolution authorizing the Executive Director to execute a contract with Geomatrix Consultants for an amount not to exceed \$539,000 for environmental consulting services (*Action Item*)
8. Resolution authorizing submittal of the proposed fiscal year 2003-2004 Treasure Island Development Authority budget (*Action Item*)

9. Discussion of the Revised Proposal for Former Naval Station Treasure Island prepared by Treasure Island Community Development in response to the Focused Request for Proposal for Primary Developer (*Discussion Item*)
10. Discussion of Future Agenda Items by Directors (*Discussion Item*)
11. Adjourn

Relevant documents such as resolutions, staff summaries, leases, subleases are available at the Treasure Island Project Office and the Government Information Center at the Main Library, 100 Larkin Street. Public comment is taken on each item on the agenda.

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TREASURE ISLAND WEBSITE

Check out the Treasure Island website at www.sfgov.org/treasureisland to find out about activities and facilities on Treasure Island, special events venues for rent, or to review the Treasure Island Development Authority's agendas and minutes.

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Notes

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DRAFT Minutes of Meeting
Treasure Island Development Authority
January 8, 2003

City Hall, Room 400
1 Carlton B. Goodlett Place
San Francisco, CA

1. Call to order 1:38 PM

Roll Call Present: Claudine Cheng (Chair)
William Fazande (Vice-Chair)
John Elberling
Susan Po-Rufino
Marcia Rosen

Excused: Gerald Green
Doug Wong

2. There was no public comment on the possible closed session item .
Commissioner Cheng motioned for the TIDA board to move to closed session for Agenda Item 2
Commissioner Fazande seconded the motion
The motion passed unanimously

The TIDA Board went to closed session at 1:40 PM

3. The TIDA Board reconvened in open session at 2:12 PM
Commissioner Fazande motioned not to disclose any discussions held in closed session
Commissioner Elberling seconded the motion
The motion was approved unanimously

4. The minutes were motioned for approval by Commissioner Elberling
Commissioner Fazande seconded the motion
The motion passed unanimously

5. Director's Report given by Executive Director Annemarie Conroy:
Public Use: 80 private parties scheduled throughout the year, Subaru to shoot commercial in Building 180 next week, Fox Sports Net to hold annual baseball luncheon in Building 1 in February
Environmental cleanup status: Stephen Proud of TIDA working with Navy on getting Child Care Center environmental remediation finished and center open
Short term leases: No new short term leases
Caltrans/Bay Bridge: One major issue involving electrical feeds for Treasure Island. Main feed is a WAPA submarine cable from East Bay. Potential for this cable to be disturbed by new Bridge construction. Cable will potentially be moved during construction, at Navy's expense. Navy not interested in paying this expense. If this cable is disturbed or damaged there will be loss of power to Island due to fact that backup power PG&E cable from San Francisco, Bay Cable 6, is out and PG&E has no plans to

repair it. TIDA bringing generators to Island for power in case of an emergency, it costs \$400,000 to \$500,000 a month to power these generators. TIDA staff continues negotiations with CalTrans and San Francisco PUC for protection of power cable

Commissioner Elberling asked how PG&E can legally abandon service, and if the Raker Act requires PG&E to provide service to the City and County of San Francisco
Ms. Conroy stated that staff is researching if there are any obligations on PG&E's part to service federal enclaves, just as City and County is required to provide service to federal enclave such as U.S. Coast Guard and Job Corps Center that would be affected by loss of power. Generators are presently on Island as back-up power supply, but are quite expensive.

Community Issues: Treasure Island Homeless Development Initiative opened a Service Center recently. Wonderful event, attended by Commission Chair Cheng. Ms. Conroy acknowledged John Stewart, of the John Stewart Company, and his wife Gussie Stewart, who personally guaranteed the loan for the Service Center with their own personal assets. Mr. and Mrs. Stewart have been extremely generous and supportive of TIHDI.

Citizens' Advisory Board: Next CAB meeting January 16, 2003. CAB will review final proposal submitted by Treasure Island Community Development.

TIHDI Report: No new TIHDI news

Financial report: TIDA has hit 50% of revenues as of January 8, 2003, on track for budget. 25% of expenses hit so far as well, on track with this as well.

Legislation: No current legislation pending. Usual budget preparation will start much earlier, including presentations to Board of Supervisors.

6. There were no new communications received by the TIDA Board

7. There was no ongoing business discussed by Directors

8. General Public Comment

Ms. Sherry Williams, Executive Director of Treasure Island Homeless Development Initiative (TIHDI) thanked Anemarie Conroy for speaking at Service Center opening in December and thanked Commissioner Cheng for attending as well. Thanked TIDA Deputy Director Stephen Proud for his work with the child care center. Informed TIDA board that plan for recreation services has been put together, along with Embarcadero YMCA and the San Francisco Boys and Girls Club, to provide services for all Treasure Island residents, youth and adults. Hope to start these programs by the end of February.

Michael Cosby of the Boys and Girls Club of San Francisco and Sean Drese of the Embarcadero YMCA thanked the TIDA board for their support of recreation activities on Treasure Island. Recently opened a teen department for Treasure Island. It is a huge step forward to begin health and fitness program on Treasure Island, they look forward to a long relationship with TIDA.

9. Ms. Marianne Conarroe, of TIDA staff, presented an amendment to the Treasure Island/Yerba Buena Island Citizen's Advisory Board (CAB) as related to attendance. The amendment stated that attendance credits for sub-committee attendance would be retroactive to January 1, 2002 in order to provide credits for CAB members that diligently attended sub-committee meetings to review the draft development proposal.

Ms. Karen Knowles-Pearce, Chair of TI/YBI CAB, recommended supporting the amendment. Stated that there have been numerous sub-committee meetings that people attend and hopes TIDA Board approves retroactive amendment.

Commissioner Cheng asked if there were any vacancies on the CAB

Ms. Conarroe stated that there are currently 19 members on the CAB out of a possible 25 members. Some of the vacancies are the Board of Supervisors responsibility and some are the Mayor's responsibility

There was no public comment on this item

Commissioner Fazande motioned for approval

Commissioner Po-Rufino seconded the motion

Motion was approved unanimously

Commissioner Cheng thanked Ms. Knowles-Pearce for her leadership as TI/YBI CAB chair and conveyed the TIDA Board's thanks to the entire CAB for their work

10. Ms. Conarroe of TIDA staff presented an extension of the Sublease with California Engineering Contractors (CEC) for an additional year to January 31, 2004. This amendment "folds in" CEC's additional sublease for part of Pier 1 on Treasure Island into the master sublease and also extends the term of the sublease one additional year. Internal staff discussion has indicated a possibility to instead extend the sublease for 18 months instead of 12 months

Mr. Stephen Proud, of TIDA staff, indicated that the idea behind suggesting extending the sublease for 18 months instead of the original 12 months was based on the overall schedule of the Bay Bridge retrofit project that CEC is working on. CEC has indicated to staff that an 18 month term would cover the finish of that project, at which time the property would be turned back over to TIDA and any deposits necessary would be returned to CEC. There would be no need to come back in another 12 months for what would be only an additional 6 month sublease

Commissioner Cheng asked what the monthly fee would be for the additional 6 month extension. Mr. Proud stated that the monthly fee would be the same. Staff did not propose a rent increase for these six months due to market conditions and the feeling that TIDA was still receiving fair market value for the space. Use of Pier 1 is for non-exclusive use but current exclusive use area would remain that way

Ms. Conarroe stated that CEC has already hired one TIHDI member through the job-broker program, that person has worked out well, and are eager to hire more when they become available. CEC also uses Toolworks for janitorial services

Public Comment

Ms. Sherry Williams from TIHDI stated that there is a successful job placement with CEC and hope to have more opportunities as more jobs become available.

Commissioner Rosen motioned for approval of the item, as amended to an 18 month extension from the original 12 month extension

Commissioner Cheng seconded the motion

The motion passed unanimously.

11. Treasure Island Community Development presented a revised proposal in response to the Focused Request for Proposal for the Primary Developer for Former Naval Station Treasure Island.

Mr. Jay Wallace of Kenwood Investments, Managing Member of Treasure Island Community Development (TICD) presented the revised development proposal. Final plan has significant changes. After hearing comments and review of draft proposal, TICD saw key issues as increasing public access to shoreline, increasing activity at Island core, reducing amount of 'flex-space', better illustration of housing and urban design, clarifying transportation and parking plans, refined Yerba Buena Island open space plan, create new jobs, funding public amenities on Island, and several major revisions to business transaction. Many important concepts retained as well, including T.I. Museum, rehabilitation of Nimitz House and officers quarters, film production in Building 2 and 3, Delancy Street Life Learning Academy, T.I. Sailing Center and marina, child care center, and wetlands and environmental center. Highlighted that housing has been pulled back from shoreline and new housing placed at Island core and new parks have been created. Stated that TICD is very excited that comments have been incorporated into new proposal.

Ms. Karen Auschuler, of SMWM, spoke regarding land-use issues in revised proposal. Concentrated on revisions based on response and public comments. Key land use revisions include intent to balance varied land-use necessities. Still centered around 6 districts on Islands, but now linked together in a different way. Took idea of Serpentine Park and used it as a vehicle to move people throughout the whole Island. Also felt that by expanding public areas around water this design would make it a continuous regional facility.

Greater concentration of housing closer to ferry terminal expected to encourage people to use ferry terminal and other alternate transportation modes. Proceeded to point out key revisions in different districts: Sailing Center expanded with more outdoor and indoor space, Cultural Center moved to arrival point at ferry terminal.

Island Core: housing placed into core in three more housing sites, hotels placed next to each other to work efficiently.

Cityside: housing recessed or removed from shoreline in various locations, placement of several play areas, Treasure Island Chapel retained within exposition gardens, Serpentine Park now links to Gateway Boulevard. As a result a narrow parkway now extends the length of the Island on the western side, solidifying its use as public space. 7 acre park built along shoreline where previous housing was proposed. Northern Edge: wetlands and environmental center still present. Streets that run east-west through the Island have been enhanced to respond to request to re-enforce pedestrian enhancement of these streets. Eastern Edge: all buildings moved back from shore, new Shipwatch park created looking towards East Bay. Small district park and retail retained to serve neighborhood. Gymnasium retained on major east-west corridor on Island.

Yerba Buena Island: worked on improving trails and connections on Island and identifying larger areas for parks to improve regional use aspect of Island. Spoke more on approach to Yerba Buena Island, based on a "light touch" of historic preservation and reuse. Focus on habitat restoration and sustainability practices.

Parking numbers and location in support of major concept of using alternative transportation to get to and from the Island. Proposal includes one private parking space per residential unit, 600 spaces for the hotel, and a number of various public facilities, including a public garage and scattered public spaces and 1280 on-street parking spaces throughout the Island. Housing and Urban Design revisions include articulating how street plan in a grid structure would still give a unique neighborhood feel. Possibility of townhouse areas on several blocks as well. Prototypes depend on whether views to water or access to other parts of Island are desired. Plan uses average of 1250 square feet per unit, allows for full range from studio to four bedroom floor plans. Parking can be included on inside of block and fully screened from outside of blocks and street view. Critical to understand how balance between open space and build space is going to work on Treasure Island, feel they have changed that balance.

Mr. Kevin Conger, of CMG Architects, spoke regarding improvements to the open space plan. Revisions include new 'Pacifica Park' and recession of housing on west side of Island, new 'Shipwatch Park' on the east side of the Island, accentuated connection between Serpentine Park and west side and Yerba Buena Island. 350 foot setback on western shoreline provides for creation of 7 acre Pacifica Park. Park can handle variety of uses due to good size. New 'Shipwatch Park' also created by pulling building back 250 feet on eastern shoreline. Indication of viewing areas and pathways throughout the park. Yerba Buena Island to have 70 acres restored and enhanced throughout. Several destinations include the beach, Hilltop Park, overlook and vista points. Areas for picnic sites identified near Hilltop Park. View overlooks identified as well on Yerba Buena Island.

Mr. Jay Wallace indicated that these two previous presentations highlighted the main revisions to the physical land-use plan. Introduced Don Larsen of Lennar Communities to discuss business side of plan.

Mr. Don Larsen, of Lennar Communities, spoke regarding financial aspect of revised proposal. Stated that the basic aspects of the business plan have not changed. TICA views itself as a 'horizontal developer', and that 'vertical development' will be turned over to members of the partnership or sold to other vertical developers. Plan still economically feasible. Key revisions include extending development period of pro forma by two years from 10 to 12 years. This is necessary to allow smooth transition to new housing from previously present housing, especially for low income units. This process will be divided into four phases. Another important revision is increased ground lease payments to the Treasure Island Development Authority, in order to create a payment mechanism for TIDA expenses. Plan to cover TIDA operating expenses during development. The clarification of capital sources for development of Island includes revenue bonds, bonded against existing housing income stream to provide initial capital for beginning of development. Second source of financing is tax increment bonds, which is based on increased valuation of Island as development progresses. Both of these bonds are secured bonds. Last source of capital is equity investment from TIUCD partners. This source is unsecured and subject to risks of fluctuations and



changes, totals approximately \$34 million dollars. Difference in total capital necessary is made up from internally-generated funds from sale or leasing of land. Post-development financing mechanism for Island proposed through tax-increment funds available and establishment of a Meloruse district to care for open spaces on Island. Assessment for a residential homeowner in such a district would be approximately \$650 dollars a year, as well as \$19,000 per developed acre per year assessment for commercial components as well. This assessment would not pertain to TIDA or TIHDI units. Proposal plans for 284 units of TIDA land to be sold or developed at the wishes of the Authority

Ms. Janet Smitheimer, Managing Principle with Bay Area Economics, spoke regarding the affordable housing component of the development proposal. 927 units are proposed as affordable housing units, 676 affordable rental units serving incomes ranging from low to 60% of area median income including 242 replacement units for TIHDI as well as land for an additional 71 units. Plan also includes 284 "agency" units controlled by TIDA, and 79 inclusionary units mixed within market rate rental units. Also an affordable ownership component that is 251 units targeted at 100% area median income

Mr. Wallace spoke regarding job generation in the development plan. Based upon land use program, TICD believes approximately 2,500 new jobs will be created through the development process, which still exceeds the estimate the City of San Francisco put forward in it's EDC application several years ago. Still hopeful that the job generation component of no-cost EDC can still be met

Commissioner Rosen thanked the developer for a concise presentation and thoughtful revisions to the plan. Asked if the Meloruse District was proposed to staff ongoing programming of open space and recreation uses, or simply for security and landscaping duties

Mr. Wallace stated that the Meloruse is used to take care of landscaping and upkeep of Island, operations and maintenance, and less to do with programming elements such as personnel for recreation programs Commissioner Rosen asked for clarification on pedestrian access from the ferry terminal to different parts of the Island

Ms. Auschler demonstrated on a map of the proposed development different possibilities for walking around the Island. Indicated pedestrian paths that lead along eastern shore of Island along two Shipwatch Parks. It is possible to walk around the perimeter of the Island on a pedestrian walkway. Also walking access through the wetlands area, this access also leads to the sail boarding launch area past the wetlands. Pedestrian access continues on the western shoreline and then up along the causeway into Yerba Buena Island, if desired. Another option is to follow wooded access road into the core of the Island following the Serpentine Park. These and other options also incorporate pedestrian access on roads that cut across the Island.

Commissioner Elberling asked what the annual revenue to TIDA would be once build-out is complete.

Mr. Larsen stated that the amount of revenue is dependent on however TIDA decides to utilize the 284 land pads set aside for TIDA. These are potentially a source of income as well. On top of that, there is roughly \$1.3 million in tax-increment revenue available to TIDA. This tax increment would increase past year 13 based on continued development of housing.

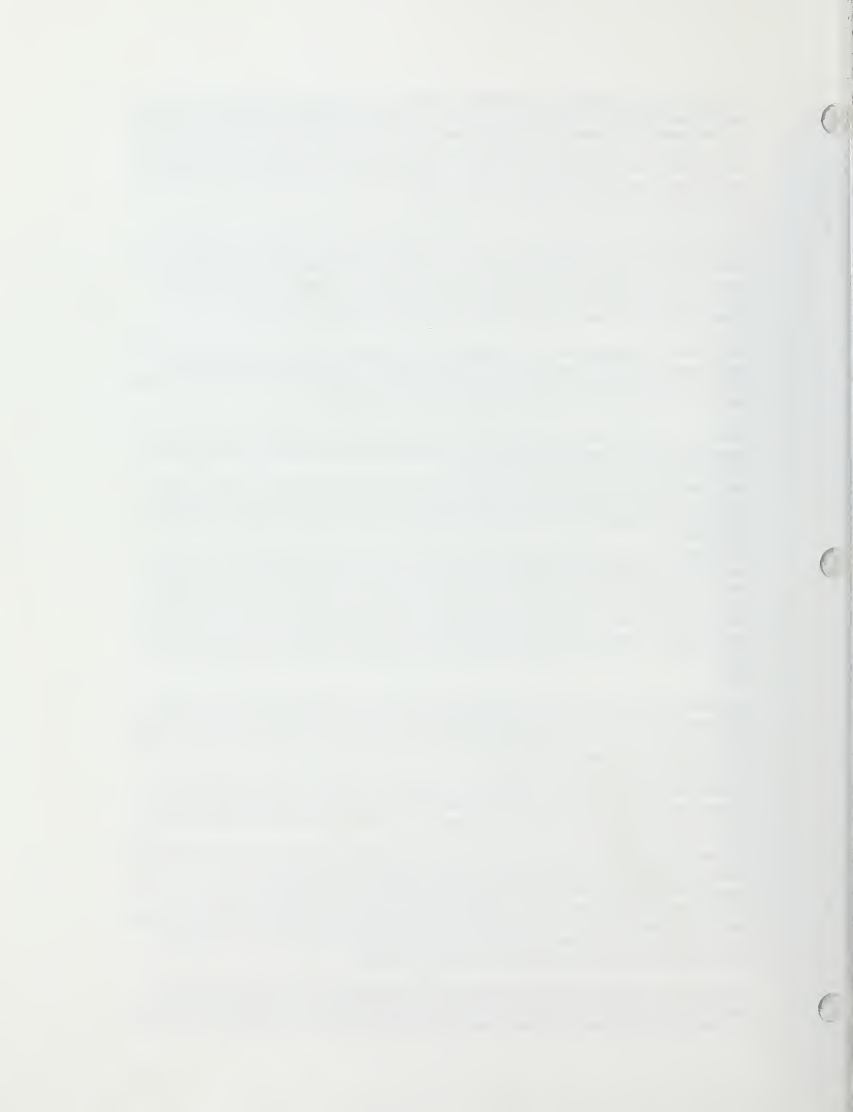
Commissioner Elberling stated this funding stream is significant because it would support additional recreation programming or community programs that Ms. Rosen mentioned earlier. Stated that community facilities should be clarified as to their intended usage. Asked where the community facility mentioned earlier would be included.

Mr. Wallace stated that the community facility would be included in the cultural center and also included as part of the neighborhood serving retail areas as well as the affordable housing areas are expected to contain several community serving facilities incorporated with affordable housing programs.

Commissioner Elberling stated Treasure Island has the potential to accommodate families more so than other areas of San Francisco, especially the trend of families moving out of San Francisco. Stated it would be good to define a goal of encouraging family living so that the population does not end up being the "default mode" of mostly adults or families with only small children.

Commissioner Cheng asked if there will be any more financial disclosures or guarantees forthcoming

Mr. Wallace stated that in conversations with the City Attorney's Office, TICD was advised that they had to provide either a guarantee from Lenar Corporation, the entity identified by consultant Keyser-Marsten as



the appropriate entity to provide such guarantee, or provide additional financial information from the other two privately held partners in TICD. After consulting with the City Attorney's Office and TICD's own counsel, TICD feels that the guarantee language in the proposal was sufficient

Mr. Michael Cohen, Deputy City Attorney, stated that corporate guarantees are combined with assurity bonds and insurance policies under the "umbrella" known as credit enhancement. Under CEQUA, TIDA is unable to approve an agreement until the CEQUA process is completed, and no guarantee can be secured before that point. TIDA tried to signal very clearly that a guarantee would eventually be required by Lenar. This issue will be addressed incrementally over time, based on scope of work necessary at various periods in development process

Commissioner Cheng asked about planning for emergencies or emergency medical needs

Mr. Wallace stated that this planning requires more attention, but it is not a plan that TICD can formulate alone. It should be a group effort by all groups on Island, including S.F. Fire and Police Departments, U.S. Coast Guard, Job Corps, and various others. Ferry terminal will be up and running in early stages of development and can provide primary area for evacuation if necessary. Also stated that medical and dental facilities are anticipated as part of neighborhood serving retail.

Commissioner Fazande asked about replacement of water and utility lines on Treasure Island and Yerba Buena Island. Also asked about plans for sewage treatment and the availability of an emergency water supply for the Islands

Mr. Wallace stated that water and utility lines will be replaced. Also the sewage treatment is planned to be sent to East Bay MUD. Stated there is a water storage tank on Yerba Buena Island. Infrastructure budget for development plan includes construction of a 1 million gallon storage tank on Yerba Buena Island as well

Commissioner Fazande asked if MUNI is in favor of the proposed 10 minute frequency for bus service to the Island

Mr. Wallace stated that TICD has had preliminary discussions with MUNI staff and an agreeable solution should be achieved fairly easily

Public Comment:

Sherry Williams, Executive Director of TIHDI, spoke on the proposed TIHDI replacement units. Stated that TIHDI is currently reviewing the overall revised proposal and is working with TICD on this. Stated that TICD has been very cooperative with TIHDI during the housing discussions in trying to "make this work for everyone"

Ms. Eve Bach, of ARC Ecology, spoke in response to the proposed development plan. Disappointed that TICD didn't rethink land use plans, instead "nibbled at the edges" by moving housing farther away from shoreline. Also worried about fiscal feasibility in terms of using tax-increment funding to fund basic services. Meloruse district could be a good idea but need to remember to add these costs into overall costs of affordable housing plans.

12. Mr. Proud stated that discussion of the revised proposal will be calendared for the February meeting as well

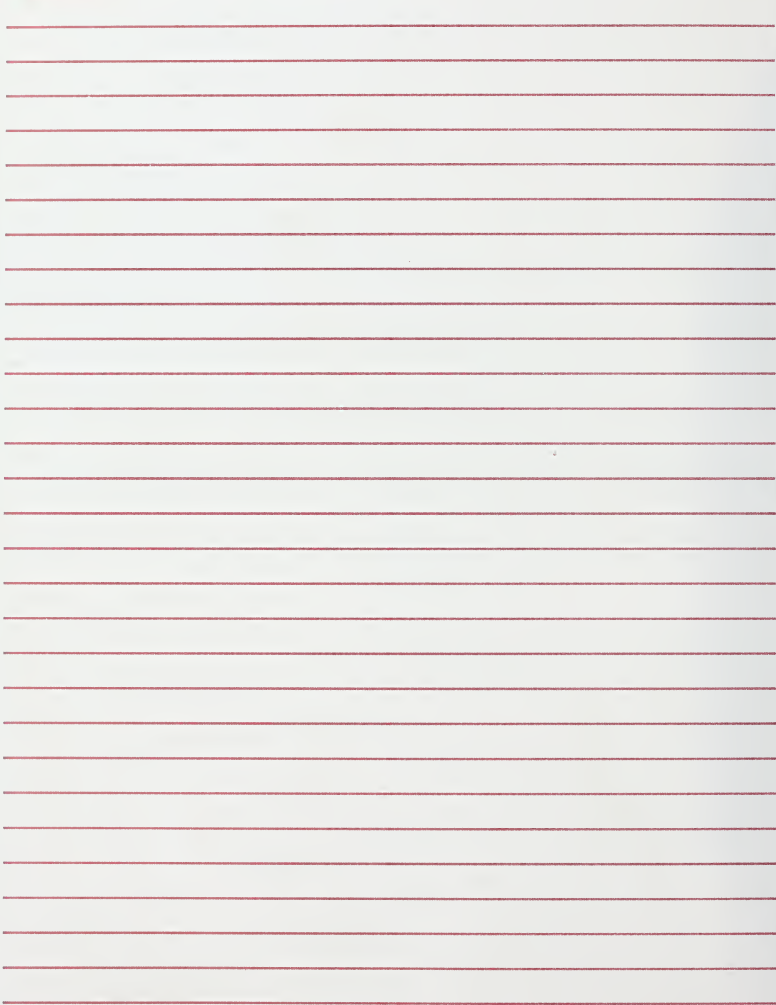
13. The meeting adjourned at 4:20 PM



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AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the Executive Director
To Execute a Contract with Geomatrix Consultants
For an Amount No-To-Exceed \$541,500
For Environmental Consulting Services

Agenda Item No. 7
Meeting of February 12, 2003

Contact/Phone: Annemarie Conroy, Executive Director
Stephen Proud, Director of Development
274-0660

BACKGROUND

In November 1998, the Authority, acting through the City's Department of Public Works (DPW), executed a contract with Geomatrix Consultants to provide independent analysis of the thoroughness and defensibility of the environmental work conducted by the Navy, and to insure the compatibility of the Navy's proposed remediation with the Authority's Draft Reuse Plan. Geomatrix was originally selected by DPW as an "as-needed" consultant for environmental review and remediation activities through a public Request for Proposals process.

On June 13, 2001, the Authority took action to directly contract with Geomatrix to provide technical services related to monitoring the Navy's environmental remediation activities at Treasure Island. That contract established a not to exceed amount of \$350,000 for fiscal year 2002. On June 12, 2002, the Authority extended the term of that contract to June 30 2003, but did not amend the not-to-exceed amount. To date, the Authority has expended approximately \$275,000 of the initial \$350,000 approved in June 2001.

The action under consideration is the termination of the existing contract with Geomatrix and the execution of a new contract with an amended scope of work for a not-to-exceed amount of \$541,500 billed on a time and materials basis. The term of contract will be from February 15, 2003, to June 30, 2004.

PROPOSED SCOPE OF WORK

Geomatrix's knowledge of the Navy's environmental remediation program for TI gained through its work for the Authority over the past four years provides the firm with a unique ability to perform the required services without duplicating previous expenditures. The scope of work under consideration is broken into two distinct areas: (i) Oversight of the Navy's Current Environmental Remediation Program; and (ii) Assistance with Early Transfer Activities.

Navy Oversight. As part of its transfer responsibilities, and pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Navy has been

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undertaking an environmental remediation program to meet federal and state requirements for transferring the base to the Authority in an environmental condition to support the Authority's redevelopment plans. The ultimate goal of the Navy's work is to issue a Finding of Suitability to Transfer (FOST) which would state that the property could be transferred and reused for the intended purposes. One of the Authority's primary responsibilities is to closely monitor the Navy's environmental remediation activities to ensure that the Navy achieves the appropriate clean-up levels for planned civilian use. For the past four years, Geomatrix has been assisting us in this effort. Their scope of work has been and will continue to be as follows:

- Attend and prepare information for monthly technical meetings that are held to review the status of on-going tasks and identify outstanding issues. The Navy and its consultants, the Authority and its consultants, regulators, and RAB members participate in these meetings.
- Attend and prepare information for additional technical meetings to address significant issues identified at the monthly meeting. These technical working meetings clarify details of a specific field program or technical evaluation approach.
- Attend and prepare materials for other supplemental meetings associated with risk communication and technical presentations to Authority management, regulators, and tenants.
- Review Navy work plans and reports which document their approach, confirm agreements between interested parties, and comply with regulatory requirements.
- At the Authority's request, oversee the Navy's field work or collect field samples to verify the adequacy of the Navy's work, or to fill a data gap critical to the Authority's needs that is not addressed by the Navy.

The process for completing environmental investigations at NSTI is fairly well defined; however, regulators commonly identify the need for previously unplanned activities (additional investigations, reports and meetings) as new field data are collected and analyzed. Additional work plans and reports are then prepared that, in turn, require additional review and additional meetings to address technical issues.

The budget for the scope of work outlined above is a not-to exceed amount of \$249,000 which will be billed on a time and materials basis. A detailed breakdown of the costs is provided in Appendix A.

Assistance with Early Transfer. In early 2003, the Authority formally requested that the Navy commence negotiating an "Early Transfer" to the Authority pursuant to CERCLA. An Early Transfer would involve a "fence-to-fence" transfer of the entire base under which the Authority would receive a FOST for all "clean" property and a Finding of Suitability for Early Transfer (FOSET) for all remaining property. For those properties transferred by FOSET, the Authority would assume the clean-up responsibility with funding provided by the Navy.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the integrity of the financial system and for the ability to detect and prevent fraud.

2. The second part of the document outlines the specific procedures for recording transactions. It details the steps involved in the accounting cycle, from identifying the transaction to posting it to the appropriate ledger account.

3. The third part of the document discusses the importance of internal controls. It explains how internal controls can be designed to minimize the risk of errors and fraud, and how they can be used to ensure the accuracy of the financial statements.

4. The fourth part of the document discusses the importance of external audits. It explains how external audits can provide an independent assessment of the accuracy and reliability of the financial statements, and how they can be used to identify areas for improvement.

5. The fifth part of the document discusses the importance of transparency. It explains how transparency can be achieved through the timely and accurate disclosure of financial information, and how it can be used to build trust and confidence in the financial system.

As one of the first steps in the Early Transfer process, the Authority will need to issue a request for qualifications (RFQ) to identify a remediation contractor to complete the cleanup under a guaranteed fixed price (GFP) contract. This GFP contractor will be a participant in the negotiations with the Navy on the funding necessary to achieve clean-up objectives and with regulators on environmental clean-up standards.

The contract under consideration with Geomatrix includes a scope of work for them to assist in the Early Transfer process. The following outlines some of the major tasks:

- Drafting a RFQ for a guaranteed fixed-price environmental engineering and remediation contractor (GFP Contractor).
- Evaluating bids, advise on selecting a GFP Contractor, and negotiating a guaranteed fixed-price remediation contract with the GFP Contractor.
- Providing detailed briefings to the GFP Contractor on the history and current status of environmental investigation and remedial activities at the site to allow the GFP Contractor to prepare as expeditiously as possible a proposed cost estimate and scope of work for the Environmental Services Cooperative Agreement (ESCA) with the Navy.
- Providing technical support to the Authority throughout the process of negotiating the various legal documents necessary to complete an Early Transfer to the extent the City determines that it needs such support from an independent consultant to assure that the GFP Contractor is acting in the best interest of the City.
- Assisting the Authority in preparing and presenting technical and financial information to the public and City officials to aid in the decision-making process; and attending technical and strategy meetings regarding the above.

The early transfer process is expected to take up to 13 months to complete. In the interim, the Navy will continue its current remediation program, and the Authority will continue to require the oversight services as outlined above. The proposed budget for Early Transfer assistance is \$292,500 billed on a time and materials basis. A detailed breakdown of the costs is provided in Appendix A.

1 [Authorization Execution of Contract with Geomatrix Environmental Consultants]

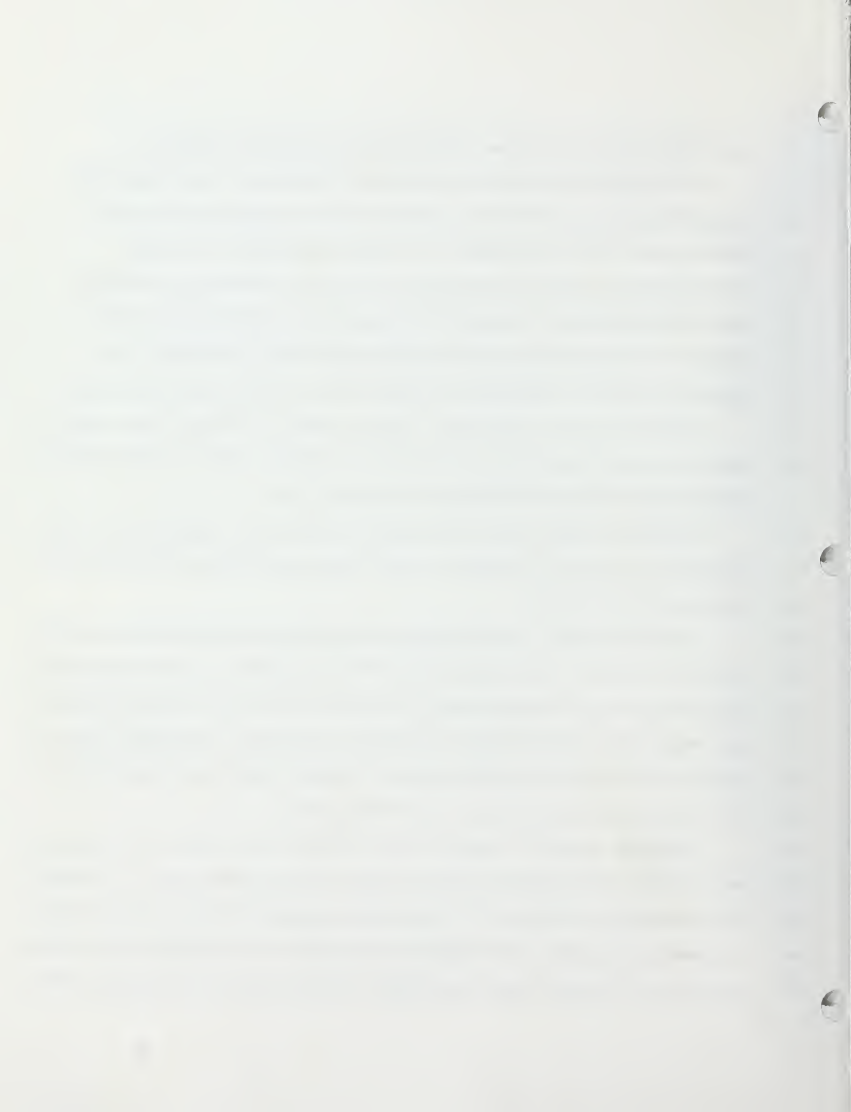
2 AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A CONTRACT WITH
3 GEOMATRIX CONSULTANTS FOR AN AMOUNT NOT TO EXCEED \$541,500 (FIVE
4 HUNDRED FORTY ONE THOUSAND FIVE HUNDRED DOLLARS) TO PROVIDE
5 ENVIRONMENTAL CONSULTING SERVICES INCLUDING OVERSIGHT OF THE US
6 NAVY'S ENVIRONMENTAL REMEDIATION PROGRAM AND ASSISTANCE TO THE
7 AUTHORITY IN CONNECTION WITH ITS ASSESSMENT OF THE FEASIBILITY OF
8 PURSUING AN EARLY TRANSFER OF FORMER NAVAL STATION TREASURE ISLAND

9 WHEREAS, former Naval Station Treasure Island is a military base located on
10 Treasure Island and Yerba Buena Island (together, the "Base"), which is currently owned by
11 the United States of America ("the Federal Government"); and,

12 WHEREAS, Treasure Island was selected for closure and disposition by the Base
13 Realignment and Closure Commission in 1993, acting under Public Law 101-510, and its
14 subsequent amendments; and,

15 WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97,
16 authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit
17 corporation known as the Treasure Island Development Authority (the "Authority") to act as a
18 single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and
19 conversion of the Base for the public interest, convenience, welfare and common benefit of
20 the inhabitants of the City and County of San Francisco; and,

21 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
22 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
23 1333 of the Statutes of 1968 (the "Act"), the California Legislature (l) designated the Authority
24 as a redevelopment agency under California redevelopment law with authority over the Base
25 upon approval of the City's Board of Supervisors, and (ii) with respect to those portions of the



1 Base which are subject to Tidelands Trust, vested in the Authority the Authority to administer
2 the public trust for commerce, navigation and fisheries as to such property; and

3 WHEREAS, The Tidelands Trust prohibits the sale of trust property into private
4 ownership, generally requires that Tidelands Trust property be accessible to the public and
5 encourages public-oriented uses of Trust property that, among other things, attract people to
6 the waterfront, promote public recreation, protect habitat and preserve open space; and

7 WHEREAS, The Authority, acting through the City's Department of Public Works,
8 initially executed a contract (the "Contract") with Geomatrix Consultants in June of 1998 to
9 provide an independent analysis of the environmental remediation work conducted at the
10 Base; and,

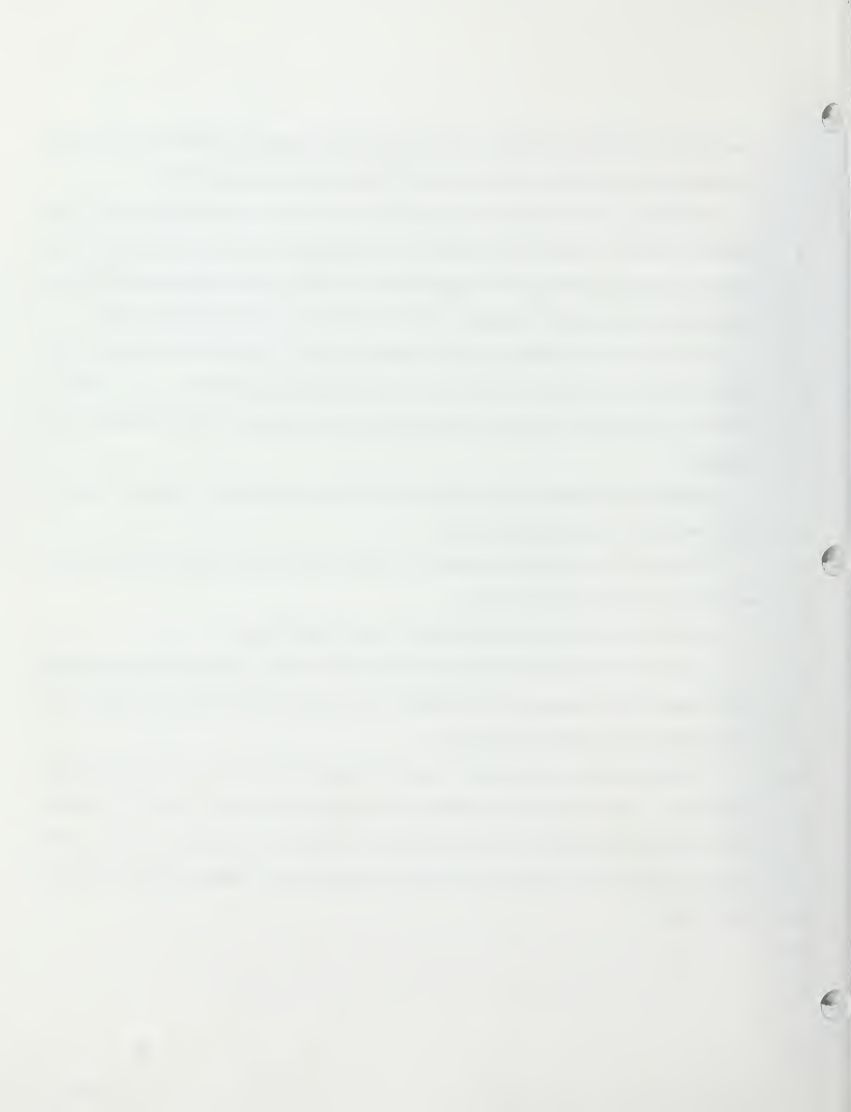
11 WHEREAS, Geomatrix was selected by DPW as an "as-needed" contractor based on
12 public Request for Proposals process; and

13 WHEREAS, the Authority amended the Contract from time to time to extend the term
14 and to directly contract Geomatrix; and,

15 WHEREAS, the Contract will terminate on June 30 2003; and,

16 WHEREAS, the Executive Director wishes to terminate the Contract early and execute
17 a new contract with Geomatrix for an amount not to exceed \$541,500 (Five Hundred Forty
18 One Thousand Five Hundred Dollars); and

19 WHEREAS, The Authority has formally requested that the US Navy commence
20 negotiating an Early Transfer of the Base to the Authority pursuant to which the Authority
21 would assume responsibility for any remaining environmental remediation at the Base, with
22 funding provided by the US Navy via an Environmental Services Cooperative Agreement (an
23 "ESCA"); and
24
25



1 WHEREAS, The Authority, as part of its assessment of the feasibility of pursuing an
2 Early Transfer, will need to select a guaranteed fixed price (GFP) contractor to participate in
3 the negotiations with the Navy for the ECSA; and

4 WHEREAS, Geomatrix's knowledge of the Navy's environmental remediation program
5 at the Base gained over the last four years provides the firm with a unique ability to assist the
6 Authority in drafting a Request for Qualification for a GFP contractor, and can assist the
7 Authority in the evaluation of bids and the negotiation of a contract with a GFP contractor, as
8 outlined in the scope of work attached as Exhibit A; and

9 WHEREAS, The US Navy will continue its environmental remediation program at the
10 Base until the property is transferred to the Authority; and

11 WHEREAS, One of the primary responsibilities of the Authority is to monitor the US
12 Navy's environmental remediation program to ensure the property will be transferred in a
13 condition that will support the Authority's redevelopment objectives; and

14 WHEREAS, Geomatrix provided independent analysis of the US Navy's environmental
15 remediation program for the Authority and has the ability to continue to provide those services
16 without duplicating previous expenditures; now therefore be it

17 RESOLVED, That the Authority hereby authorizes the Executive Director of the Project
18 to execute contract with Geomatrix Consultants for an amount not to exceed amount of
19 \$541,500 (Five Hundred Forty One Thousand Five Hundred Dollars) to provide oversight of
20 the Navy's environmental remediation program and to assist the Authority in the Early
21 Transfer process for the Base.



1
2 CERTIFICATE OF SECRETARY

3 *I hereby certify that I am the duly elected and acting Secretary of the Treasure Island*
4 *Development Authority, a California nonprofit public benefit corporation, and that the above*
5 *Resolution was duly adopted and approved by the Board of Directors of the Authority at a*
6 *properly noticed meeting on February 12, 2003.*
7

8
9 William Fazande, Secretary
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Exhibit A - Services to be Provided by Contractor

1. Description of Services for Environmental Consulting.

The City and County of San Francisco (City) established the Treasure Island Development Authority (Authority) to manage the conversion of former Naval Station Treasure Island from Navy use to civilian use. As part of its transfer responsibilities, and pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Navy has been undertaking an environmental remediation program to meet federal and state requirements for transferring the base to the Authority in an environmental condition to support the Authority's redevelopment plans. The ultimate goal of the Navy's work is to issue a Finding of Suitability to Transfer (FOST) which would state that the property could be transferred and reused for the intended purposes. One of the Authority's primary responsibilities is to closely monitor the Navy's environmental remediation activities within the context of planned civilian use. For the past four years, the Authority has retained a consultant, Geomatrix, to provide independent analyses of the thoroughness and defensibility of the environmental work conducted by the Navy, and to assess the compatibility of the Navy's proposed remediation activities with the Authority's redevelopment plans.

Geomatrix was initially selected by the Department of Public Works (DPW) as an "as needed" consultant for environmental review and remediation activities through a public Request for Proposals process and performed services under contract with DPW from November 1998 through June 2001. Since June 2001, Geomatrix has been under a direct contract with the Authority. The firm's knowledge of the Navy's environmental remediation program for TI gained through its work for the Authority for the four years provides Geomatrix with a unique ability to provide the required services without duplicating previous expenditures.

For the environmental remediation program, Treasure Island and Yerba Buena Island were divided into 144 parcels (118 on TI and 26 on YBI) which were then classified by environmental condition to enable the Navy and the Authority to identify properties that are suitable for transfer. A Restoration Advisory Board (RAB) was established to provide public review, input and comment on all aspects of the environmental remediation program.

In early 2003, the Authority formally requested that the Navy commence negotiating an "Early Transfer" to the Authority pursuant to CERCLA. An Early Transfer would involve a "fence-to-fence" transfer of the entire base pursuant to (i) a FOST for all "clean" property and (ii) a Finding of Suitability for Early Transfer (FOSET) for all remaining property. Under CERCLA, a FOSET involves different documentation than a FOST. Other transfer documents will need to be drafted and negotiated. For example, the Authority will need to negotiate a mutually acceptable Environmental Services Cooperative Agreement (ESCA) with the Navy to provide for completion of environmental remediation.

Once the property is transferred, the Authority will complete the remaining cleanup. The Authority will issue a request for qualifications (RFQ) for a remediation contractor to complete the cleanup under a guaranteed fixed price contract. In order to negotiate and enter a guaranteed

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF THE HISTORY

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fixed price (GFP) contract, the selected GFP contractor will be a participant in the negotiations with the Navy and regulators.

The City requires environmental consulting services to assist in drafting the RFQ for the GFP contractor, evaluate the bids and negotiate a fixed-price remediation contract with the selected contractor. The environmental consultant will not be eligible to bid as the GFP contractor. Once the GFP contractor is selected, the scope of services of the environmental consultant will substantially decrease, but the consultant would continue to support the City in negotiations with the Navy and regulators and on technical issues.

The early transfer process is expected to take up to 13 months to complete. In the interim, the Navy will continue its current remediation program, and the Authority will continue to require the existing scope of services by the consultant to a limited extent.

The scope of work for consulting services to oversee the ongoing Navy remediation and for assistance with early transfer, including retaining a remediation contractor is described below. The proposed contract will fund Geomatrix's work through June 2004.

A. Description of Services for Oversight of Navy Remediation.

Monthly technical meetings are held to review the status of on-going tasks and identify outstanding issues. The Navy and its consultants, the Authority and its consultants, regulators, and RAB members participate in these meetings. Additional meetings are scheduled to address significant issues identified at the monthly meeting. These technical working meetings clarify details of a specific field program or technical evaluation approach. Other supplemental meetings may be associated with assisting the Authority with risk communication, including technical presentations to Authority management, regulators, and tenants. In addition, the Navy prepares work plans and reports to document its approach, confirm agreements between interested parties, and comply with regulatory requirements, which also are reviewed by the Authority's consultant. Finally, the Authority occasionally may request that its consultant observe the Navy's field work or collect field samples to verify the adequacy of the Navy's results, or to fill a data gap critical to the Authority's needs that is not addressed by the Navy.

The process for completing environmental investigations at NSTI is fairly well defined; however, regulators commonly identify the need for previously unplanned activities (additional investigations, reports and meetings) as new field data are collected and analyzed. Additional work plans and reports are then prepared that, in turn, require additional review and additional meetings to address technical issues.

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

PHYSICS 311

LECTURE 1

LECTURE 2

LECTURE 3

LECTURE 4

LECTURE 5

LECTURE 6

LECTURE 7

LECTURE 8

Scope of Work by Task

- Task One: Regularly scheduled BRAC Closure Team meetings (preparation, meeting attendance, documentation of meeting). Estimate = 12 meetings
Budget: \$20,000 (Assumes average cost is \$1650 per meeting).
- Task Two: Supplemental technical meetings including conference calls (preparation, meeting attendance, documentation of meeting). Estimate = 36 meetings and 12 conference calls.
Budget: \$76,000 (Assumes average of \$2000 per meeting and \$350 per conference call)
- Task Three: Review of technical documents including reports and work plans Estimate 32 documents.
Budget: \$80,000 (Assumes average of \$2500 per document)
- Task Four: Interim data review and preparation of written summary. Estimate = 20 data sets.
Budget: \$40,000 (Assumes average of \$2000 per data set)
- Task Five: Oversight of fieldwork including collections of split samples to assess data quality. Estimate = 2 assessments of fieldwork.
Budget: \$10,000 (Assumes average of \$5000 per assessment).
- Task Six: Additional consultation (at request of Authority) and contingency. The Authority must preauthorize activities under this Task in writing.
Budget: \$23,000 (Assumes approximately 10% of Tasks One through Five)

TOTAL BUDGET FOR PART A: \$249,000

B. Description of Services for Assistance with Early Transfer.

Early transfer will require an additional and separate scope of work. The primary tasks for the environmental consultant include assisting the Authority with the following: drafting a request for qualifications for a guaranteed fixed-price environmental engineering and remediation contractor (GFP Contractor); evaluating bids, advising on selecting a GFP Contractor, and negotiating a guaranteed fixed-price remediation contract with the GFP Contractor. The environmental consultant will provide detailed briefings to the GFP Contractor on the history and current status of environmental investigation and remedial activities at the site to allow the GFP Contractor to prepare as expeditiously as possible a proposed cost estimate and scope of work for the Environmental Services Cooperative Agreement (ESCA) with the Navy. The consultant will

also provide technical support to the City throughout the process of negotiating the various legal documents necessary to complete an early transfer to the extent the City determines that it needs such support from an independent consultant to assess whether the GFP Contractor is acting in the best interest of the City. Such assistance could include assisting the City in strategically evaluating remediation, transfer and insurance issues in an early transfer context; and in reviewing the Environmental Impact Report, FOST, FOSET, Covenant Deferral Request, ESCA, Consent Agreement, environmental insurance policies, and associated documents. The consultant will assist the City in preparing and presenting technical and financial information to the public and City officials to aid in the decision-making process; and attending technical and strategy meetings regarding the above. Geomatrix will not be eligible to bid on the guaranteed fixed-price environmental engineering and remediation contract.

Scope of Work by Task

- Task One: Technical support in preparation for and at meetings and negotiations with Navy and regulators to discuss early transfer issues (preparation, meeting attendance, documentation of meeting). Estimate = 24 meetings and 24 conference calls
- Budget: \$56,000 (Assumes 2 meetings per month for 12-month period at an average cost of \$2000 per meeting. Assumes 2 conference calls per month for 12-month period at \$350 per call).
- Task Two: Technical support in drafting a request for qualifications for a GFP contractor, evaluating bids and selecting a contractor. Estimate approximately 200 hours.
- Budget: \$40,000 (Assumes \$20,000 to support drafting RFQ and \$20,000 for evaluation of bids and selecting a contractor).
- Task Three: Technical meetings with GFP contractor including conference calls (includes preparation, meeting attendance, documentation of meetings related to providing background information to GFP contractor, and negotiating a fixed price remediation contract, including cost cap insurance with the GFP contractor). Estimate = 16 meetings and 16 conference calls
- Budget: \$70,000 (Assumes 2 meetings per month during 8-month period with average cost of \$4000 per meeting. We anticipate that the level of effort to prepare for these meetings will be significantly greater than for meetings under Task One. Assumes 2 conference calls per month for 8-month period at \$350 per call).
- Task Four: Review of technical documents including an ESCA, FOST, FOSET, fixed-price remediation contract, and cost cap and pollution legal liability insurance policies. Estimate 10 documents.
- Budget: \$50,000 (Assumes average cost is \$5000 per document).

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that this is crucial for ensuring the integrity of the financial system and for providing a clear audit trail. The text also mentions that this practice helps in identifying any discrepancies or errors early on, which can then be corrected before they become a problem.

2. The second part of the document focuses on the role of the auditor in this process. It states that the auditor's primary responsibility is to verify the accuracy of the records and to ensure that all transactions are properly documented. The text also notes that the auditor must maintain a high level of independence and objectivity throughout the entire process, as this is essential for maintaining the trust of the stakeholders.

3. The third part of the document discusses the importance of transparency in financial reporting. It argues that transparency is a key factor in building confidence in the financial system and in ensuring that all stakeholders have access to the same information. The text also mentions that transparency helps in identifying any areas where the system may be vulnerable to fraud or other forms of abuse, which can then be addressed through improved controls and oversight.

4. The fourth part of the document discusses the importance of regular communication and reporting. It states that regular communication between the auditor and the management of the organization is essential for ensuring that the auditor is aware of any changes in the system and for providing timely feedback on any issues that may arise. The text also notes that regular reporting helps in keeping the stakeholders informed of the progress of the audit and in ensuring that any necessary actions are taken in a timely manner.

Task Five: Preparing and presenting technical and financial information to the public and City officials to aid in the decision-making process. Estimate = 5 meetings.

Budget: \$50,000 (Assumes average cost is \$10,000 per meeting. We anticipate that a significant level of effort will be required to prepare presentations and materials for these meetings).

Task Six: Additional consultation (at request of Authority) and contingency. The Authority must preauthorize activities under this Task in writing.

Budget: \$26,500 (Approximately 10% of Tasks One through Five).

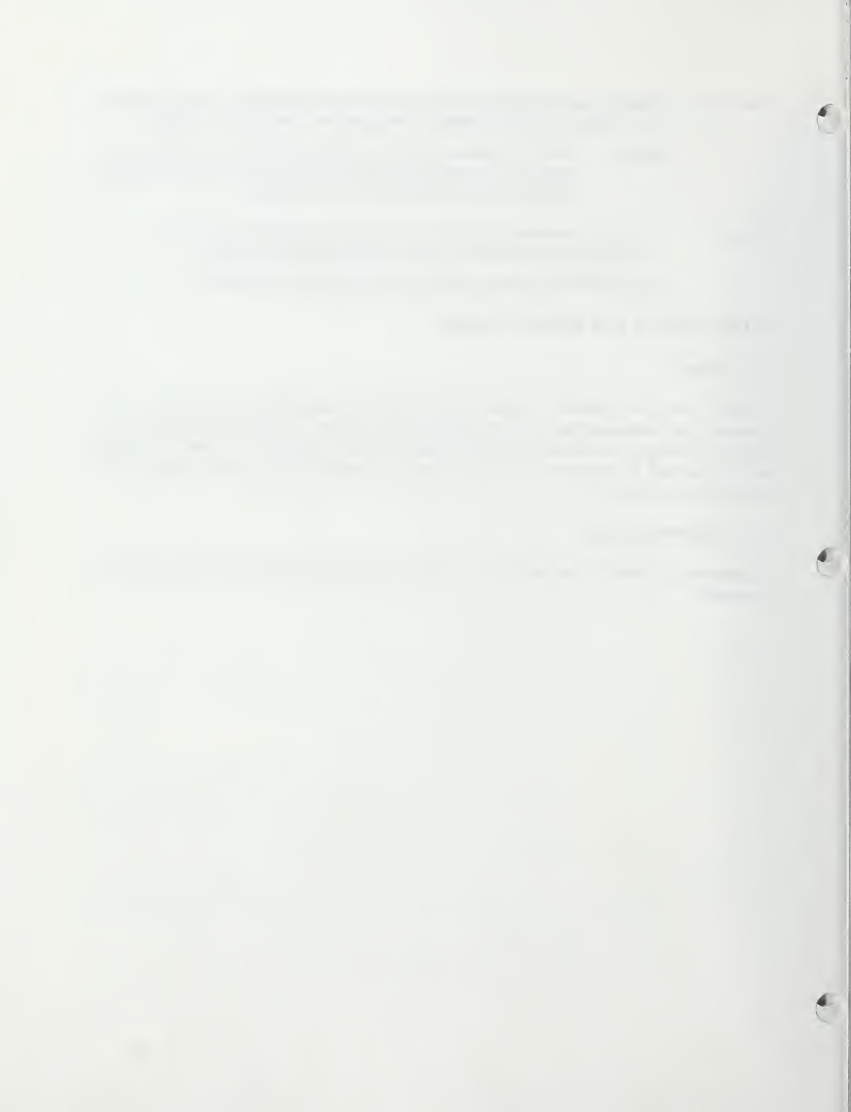
TOTAL BUDGET FOR PART B: \$292,500

2. Reports

Geomatrix may be requested to submit written reports as requested by the Authority. The Authority shall determine format for the content of such reports. The timely submission of all reports is a necessary and material term and condition of this Agreement. The reports, including any copies, shall be submitted on recycled paper and printed on double-sided pages to the maximum extent possible.

3. Department Liaison

In performing the services provided for in this Agreement, Stephen Proud will be the liaison with Geomatrix.





Notes

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There is no text or other markings on the paper.

AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Fiscal Year 2003-2004 Budget

Agenda Item No. 8
Meeting of February 12, 2003

Contact/Phone: Annemarie Conroy, Executive Director
Stephen Proud, Deputy Executive Director
Eila Arbuckle, Finance Manager
274-0660

SUMMARY OF REQUESTED ACTION

Staff request authorization to forward the TI Project's proposed FY 2003-2004 budget to the Mayor's Office.

DISCUSSION

The long-term goal of the Treasure Island Project is to redevelop Treasure and Yerba Buena Islands in accordance with the Draft Reuse Plan; create new job opportunities for San Francisco residents, including assuring job opportunities for homeless and disadvantaged City residents; increasing recreational and Bay access venues for San Francisco and Bay Area residents and visitors; and promoting the welfare and well being of the citizens of San Francisco.

For FY 2003-2004, the primary activities of the Authority will include:

- Conclude negotiations for the acquisition of former Naval Station Treasure Island. The Authority submitted an Economic Development Conveyance (EDC) application to the Navy in June of 2000 and staff expects that an EDC Memorandum of Agreement (MOA) will be complete by the end of 2003. In addition, in December 2003, the Authority submitted a formal request to commence Early Transfer negotiations for the Base. The Early Transfer process is expected to result in conveyance of property during FY 2003-2004.
- Completion of the work necessary to establish a Treasure Island Redevelopment Project Area and secure Board of Supervisors' certification of the Treasure Island Redevelopment Plan.
- Certification of a Final Environmental Impact Report (EIR) to assure the acquisition of Treasure Island complies with the requirements of the California Environmental Quality Act (CEQA).



- Pending approval from the Authority Board, negotiate a Development and Disposition Agreement for the redevelopment of Treasure Island in compliance with the terms of the EDC and policies set forth in the Reuse Plan.
- Coordinate the activities of the San Francisco PUC and DPW to maintain, repair, and renovate Treasure Island facilities.
- Administer leasing program for Treasure Island facilities to generate revenues sufficient to cover operating expenses and to provide for necessary capital improvements.
- Market and facilitate the use of Treasure Island facilities for movie and television production.
- Provide facilities for special events such as weddings and corporate functions.
- Provide recreation facilities for use by Island residents and other City residents.
- Facilitate the use of Island facilities for educational and job training organizations such as the Job Corps, Delancey Street Life Learning Academy, and the San Francisco Unified School District.
- Work with the John Stewart Company and the Treasure Island Homeless Development Initiative to complete the rehabilitation of 766 units of market rate housing and 222 units of housing for formerly homeless and disadvantaged San Franciscans.
- Provide oversight to the Navy's environmental remediation program to assure that property conveyed to the Authority meets appropriate standards for reuse.

In FY 2003-2004, staff projects revenues of \$10.9 million. The single largest source of revenue (77%) is from the housing program which is projected to generate \$8.4 million for the upcoming fiscal year. Revenues from leasing and special event activities make up the balance. The Authority will carry forward into the FY 2003-2004 budget, approximately \$1.3 in unappropriated revenues.

Projected expenses for FY 2003-2004 total approximately \$10.7 million. Of this amount, \$4.8 million dollars is projected to be transferred to other City departments for municipal services, professional services, and property management services that directly benefit the Island. The Authority is projected to spend approximately \$1.2 million to fund the 12 budgeted positions, which is the same position count as the previous fiscal year. The remaining \$4.6 million will be used to fund the Authority's operations and further the goals articulated above.

The expenditure program set forth in the FY03-04 budget will allow the Authority to achieve several objectives including: (i) the completion of the property acquisition process with the Navy; (ii) improvements to the built environment on the Island to increase safety and quality of life for the residents, (iii) the provision of recreation facilities and services to residents of the Island and City at large, and (iv) the provision of housing and additional job training opportunities for formerly homeless and disadvantaged San Franciscans.

Attached to this memorandum is a spreadsheet summarizing projected revenues and expenses for FY 2004 and the approved FY 2003 budget for comparison. The following sections provide a brief discussion of some of the major variances from the FY 2002-2003 budget.

Budget Notes

Public Service Costs. As noted earlier, the core mission of the Authority is to redevelop Treasure Island and guide its transition to civilian reuse. To succeed in that mission, it is important that the revenues generated on Treasure Island are invested at Treasure Island. The diversion of funds to offset the costs of municipal services only serves to delay the conversion process. In addition, TIDA is limited in its ability to pay for City services by the California Tidelands Trust and the provisions for a no-Cost Economic Development Conveyance (EDC) established by Congress. Federal law requires that, as a condition to accepting Treasure Island at no cost via an EDC, TIDA must reinvest 100% of the proceeds from the sale, lease or similar use of property on Treasure Island (excluding tax revenues) into job generating or economic development activities related to the base for the first seven years. Since it is likely that the first conveyance of property will occur in FY 2003-2004, these provisions may be in effect. Consequently, the Authority staff has reduced the funds allocated to the fire department by 50%.

SFPUC. In fiscal year FY 2002-2003, the Authority allocated \$462,250 to the PUC. Although a significant amount, this funding was not sufficient to fully cover the costs for providing utility service to the Island. For FY 2003-2004, staff is recommending an increase of \$887,750, which will allow the Authority to fully fund its utility obligation, reduce the outstanding balance due from previous budget years, and provide capital funding for projects necessary to maintain the utility system.

It is important to note that the Authority has increased the line item for equipment rentals for FY 2003-2004, by \$520,000. This is necessary to fund two emergency generators that will be placed on the island in the event the primary source of power is compromised by the construction of the Eastern Span of San Francisco-Oakland Bay Bridge.

Department of Public Works. For FY 2003-2004, Authority staff is recommending an increase to the DPW budget of \$557,483. This additional funding will allow the Authority to complete renovations to various facilities on the Island, including the Gym and the Fogwatch, provide funding to conduct street and sidewalk repairs to meet City code, and provide funds for increased building maintenance activities.

Professional Services. For FY 2003-2004, staff is recommending an increase in the professional services budget of approximately \$1.0 million. The professional services line item funds various activities of the Authority including allocations for completion of Environmental Impact Report, Redevelopment Plan, negotiations for conveyance, and supplemental consultant services. Funds also are allocated for grounds maintenance with a TIHDI member organization and for general support of TIHDI.

1. The first part of the report is a general introduction to the subject of the study. It discusses the importance of the study and the objectives of the research.

2. The second part of the report is a detailed description of the methodology used in the study. It includes information about the sample size, the data collection methods, and the statistical analysis techniques.

3. The third part of the report is a presentation of the results of the study. It includes tables, figures, and text describing the findings of the research.

4. The fourth part of the report is a discussion of the results and their implications. It includes a comparison of the findings with previous research and a discussion of the limitations of the study.

5. The fifth part of the report is a conclusion and a list of references. The conclusion summarizes the main findings of the study, and the references list the sources of information used in the research.

6. The sixth part of the report is an appendix containing additional information related to the study, such as raw data, detailed calculations, and supplementary figures.

7. The seventh part of the report is a glossary of terms used in the study. It provides definitions for key concepts and variables.

8. The eighth part of the report is a list of abbreviations used in the study. It provides a key for the abbreviations used throughout the report.

9. The ninth part of the report is a list of figures and tables. It provides a key for the figures and tables used throughout the report.

For the upcoming fiscal year, staff expects that significant financial resources will be necessary to complete the Early Transfer with the Navy. These include additional specialized legal services estimated at \$350,000 and additional environmental consulting services estimated at \$300,000.



FY 2003-2004
Treasure Island Development Authority
PROPOSED BUDGET

	FY03 BUDGET ORIGINAL	FY04 BUDGET PROPOSED	CHANGE FY04 MINUS FY03
TOTAL REVENUES	9,619,793	10,916,000	1,296,207
TI Administration (210009)	1,000	1,000	0
TI Special Events Revenues (210016)	400,000	378,000	-22,000
YBI Special Events Revenues (210017)	0	0	0
TI Commercial Revenues (210018)	641,793	672,000	30,207
TI Film Permit Revenues (210019)	12,000	40,000	28,000
YBI Film Permit/ Cellsite Revenues (210020)	125,000	110,000	-15,000
Marina Revenues (210021)	40,000	15,000	-25,000
TI Housing Revenues (210022)	7,500,000	7,500,000	0
YBI Housing Revenues (210023)	900,000	900,000	0
UNAPPROPRIATED REVENUES		1,300,000	1,300,000
REVENUES LESS EXPENSES	148,800	240,751	91,952
TOTAL EXPENSES	9,470,994	10,675,249	1,204,255
TOTAL PERSONNEL	1,104,753	1,208,176	103,423
TOTAL NON PERSONNEL/NON CITY DEPTS	3,096,540	4,666,753	1,570,214
TOTAL SERVICES CITY DEPTS	5,269,701	4,800,320	-469,381

1. The first part of the document is a list of the names of the persons who have been appointed to the various offices of the city of New York.

2. The second part of the document is a list of the names of the persons who have been appointed to the various offices of the city of New York.

3. The third part of the document is a list of the names of the persons who have been appointed to the various offices of the city of New York.

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9. The ninth part of the document is a list of the names of the persons who have been appointed to the various offices of the city of New York.

10. The tenth part of the document is a list of the names of the persons who have been appointed to the various offices of the city of New York.

TOTAL PERSONNEL	1,104,753	1,208,176	103,423
Salaries	914,982	1,006,813	91,831
Fringe est @ 20%	189,771	201,363	11,592
Attrition			

TOTAL NON PERSONNEL/NON CITY DEPTS	3,096,540	4,666,753	1,570,214
021 TRAVEL	10,000	10,000	0
022 TRAINING & CONFERENCES	8,000	8,000	0
023 FIELD EXPENSES	500	500	0
024 MEMBERSHIPS	1,100	1,100	0
025 SPECIAL EVENTS/PROMOTION	18,153	18,153	0
027 PROF/SPECIALIZED SERVICES /1/	2,497,500	3,500,000	1,002,500
028 BLDG. MAINTENANCE SERVICES	128,000	175,000	47,000
029 EQUIPMENT MAINTENANCE	287	1,000	714
03100 EQUIPMENT RENTALS	30,000	550,000	520,000
03500 CURRENT EXPENSES	53,000	53,000	0
040 OFFICE MATERIALS & SUPPLIES	25,000	25,000	0
05200 PYMTS TO OTHER GOVT AG.	325,000	325,000	0
05300 JUDGMENTS & CLAIMS	0		0
06000 EQUIPMENT PURCHASES	0		0

TOTAL SERVICES CITY DEPARTMENTS	5,269,701	4,800,320	-469,381
081CB Risk Management	35,000	75,000	40,000
081ct City Attorney	411,320	411,320	0
081C5 DTIS	29,503	35,000	5,497
081ET DTIS	42,339	45,000	2,661
081FD Fire	4,154,001	2,077,000	-2,077,001
081PA Central Shops	1,500	4,000	2,500
081PF Central Shops Fuel	3,000	3,000	0
081PK Parking & Traffic	0	100,000	100,000
081PR reproduction	5,000	5,000	0
081PS POLICE	308,271	320,000	11,729
081UH PUC	462,250	1,350,000	887,750
DPW	1,617,517	2,175,000	557,483
081WB BLDG REPAIR	1,542,517	1,950,000	407,483
081WE ENGINEERING	50,000	150,000	100,000
081WM CONSTRUCTION MANAGEMENT	25,000	75,000	50,000
			0
08699 Interdepartmental Recovery	-1,800,000	-1,800,000	0
Fire: AEG 1G-AGF-AAA 315018	-1,800,000	-1,800,000	0

Date	Description	Amount	Balance	Total
1900	Jan 1	100.00	100.00	100.00
1901	Feb 1	200.00	300.00	300.00
1902	Mar 1	300.00	600.00	600.00
1903	Apr 1	400.00	1000.00	1000.00
1904	May 1	500.00	1500.00	1500.00
1905	Jun 1	600.00	2100.00	2100.00
1906	Jul 1	700.00	2800.00	2800.00
1907	Aug 1	800.00	3600.00	3600.00
1908	Sep 1	900.00	4500.00	4500.00
1909	Oct 1	1000.00	5500.00	5500.00
1910	Nov 1	1100.00	6600.00	6600.00
1911	Dec 1	1200.00	7800.00	7800.00
1912	Jan 1	1300.00	9100.00	9100.00

FY 2003-2004

Treasure Island Development Authority

PROPOSED PERSONNEL BUDGET

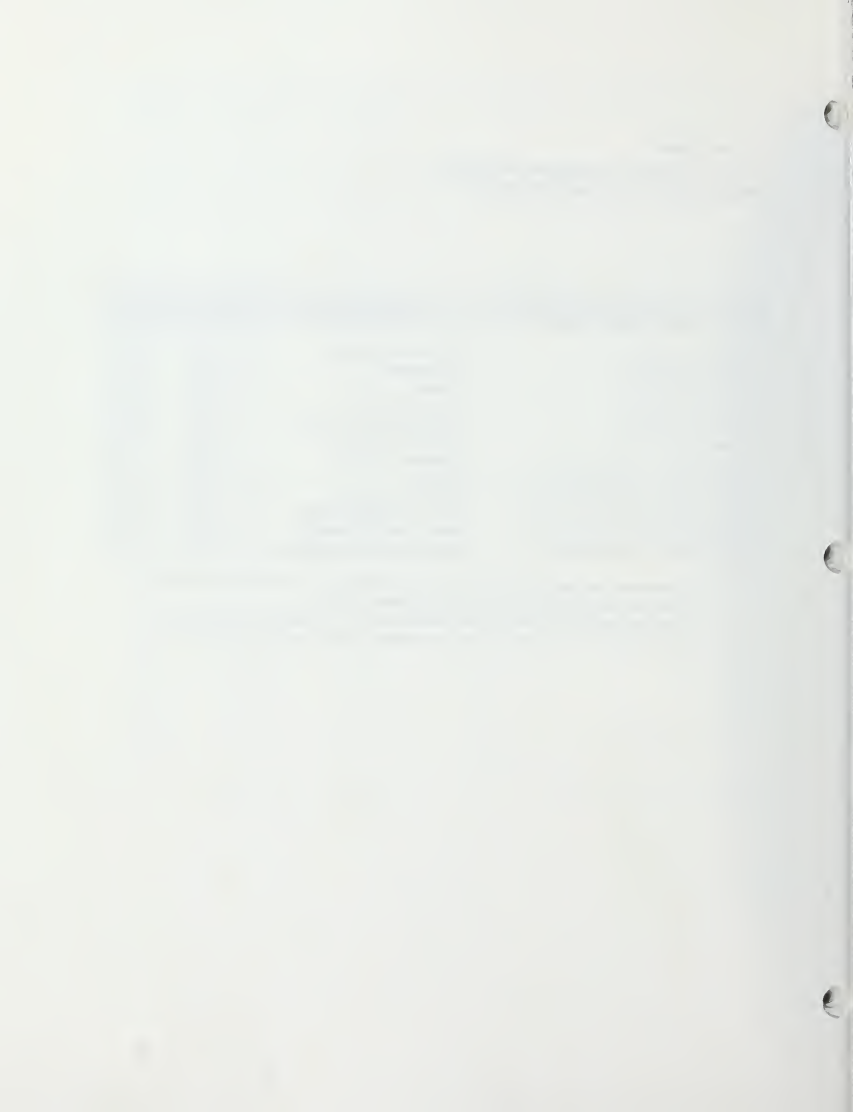
JOB CLASSIFICATION	POSITION TITLE	FY03* SALARY	FY04* SALARY
922 MANAGER II	Project Administrator	87,762	89,710
922 MANAGER II	Port Manager	87,762	89,710
922 MANAGER II **	Planner	87,762	89,710
931 MANAGER IV	Finance Manager	101,599	103,866
933 MANAGER VI	Deputy Executive Director	117,603	120,237
943 MANAGER IX	Executive Director	165,023	168,300
1363 SPECIAL ASSISTANT IV	Reception & Support	46,358	47,109
1363 SPECIAL ASSISTANT IV	Support	46,358	47,109
1366 SPECIAL ASSISTANT VII ***	Authority Secretary	57,136	58,392
1367 SPECIAL ASSISTANT VIII ***	held for facilities manager	61,442	62,820
1368 SPECIAL ASSISTANT IX ****	held for facilities manager	66,126	67,592
1369 SPECIAL ASSISTANT X	Special Events Coordinator	71,488	73,075

* All salaries are budgeted at top step of job classification and may not reflect actual salary

** Planner has been hired and will occupy this position in FY03

*** Temporary classification pending DHR's determination of appropriate classification

**** Vacant positions held to fund new facilities manager position, pending DHR classification



1 APPROVING THE BUDGET OF THE TREASURE ISLAND DEVELOPMENT AUTHORITY
2 FOR FISCAL YEAR 2003-2004, AND AUTHORIZING THE EXECUTIVE DIRECTOR TO
3 SUBMIT THE PROPOSED BUDGET TO THE MAYOR OF THE CITY AND COUNTY OF
4 SAN FRANCISCO FOR FURTHER REVIEW AND INCLUSION IN THE CITY'S FY 2003-
5 2004 BUDGET.

6 WHEREAS, Naval Station Treasure Island is a military base located on Treasure Island and
7 Yerba Buena Island (together, the "Base"), which is currently owned by the United States of
8 America ("the Federal Government"); and,

9 WHEREAS, Treasure Island was selected for closure and disposition by the Base
10 Realignment and Closure Commission in 1993, acting under Public Law 101-510, and its
11 subsequent amendments; and,

12 WHEREAS, In 1995, the General Services Administration and the Bureau of Land
13 Management determined that Yerba Buena Island was surplus to the Federal Government's
14 needs and could be transferred to the administrative jurisdiction of the Department of Defense
15 under the Base Closure and Realignment Act of 1990 and disposed of together with Treasure
16 Island; and,

17 WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97,
18 authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit
19 corporation known as the Treasure Island Development Authority (the "Authority") to act as a
20 single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and
21 conversion of the Base for the public interest, convenience, welfare and common benefit of
22 the inhabitants of the City and County of San Francisco; and

23 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section
24 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of
25 the Statutes of 1968 (the "Act"), the California Legislature (i) designated the Authority as a
redevelopment agency under California redevelopment law with authority over the Base upon
approval of the City's Board of Supervisors, and (ii) with respect to those portions of the Base



1 which are subject to Tidelands Trust, vested in the Authority the authority to administer the
2 public trust for commerce, navigation and fisheries as to such property; and

3 WHEREAS, As provided under the Authority's Bylaws, the Executive Director and the Finance
4 Director have prepared a budget for the Authority for Fiscal Year 2003-2004, a copy of which
5 is attached to this resolution as Exhibit A (the "FY 2003-2004 Budget Submittal"); Now,
6 therefore be it

7 RESOLVED, THAT THE BOARD OF DIRECTORS OF THE TREASURE ISLAND
8 DEVELOPMENT AUTHORITY HEREBY ADOPTS AND APPROVES THE FY 2003-2004
9 BUDGET AND HEREBY DIRECTS THE EXECUTIVE DIRECTOR AND THE FINANCE
10 DIRECTOR TO SUBMIT THE FY 2003-2004 BUDGET TO THE MAYOR OF THE CITY AND
11 COUNTY OF SAN FRANCISCO FOR FURTHER REVIEW AND INCLUSION IN THE CITY
12 AND COUNTY OF SAN FRANCISCO'S FY 2003-2004 BUDGET.

13 CERTIFICATE OF SECRETARY

14 I hereby certify that I am the duly elected and acting Secretary of the Treasure Island
15 Development Authority, a California nonprofit public benefit corporation, and that the above
16 Resolution was duly adopted and approved by the Board of Directors at a properly noticed
17 meeting on February 12, 2003.
18
19
20
21

22 _____
23 William Fazande, Secretary
24
25

Notes

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Notes

Notes

OFFICE OF THE MAYOR
SAN FRANCISCO

TREASURE ISLAND DEVELOPMENT AUTHORITY
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WILLIE LEWIS BROWN, JR.

DRAFT Minutes of Meeting
Treasure Island Development Authority
February 12th, 2003

City Hall, Room 400
1 Carlton B. Goodlett Place
San Francisco, CA

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1. Call to order 1:38 PM

Roll Call Present: Claudine Cheng (Chair)
William Fazande (Vice-Chair)
John Elberling
Susan Po-Rufino
Marcia Rosen
Douglas Wong

Excused: Gerald Green

2. The minutes of the January 8, 2003 TIDA meeting were motioned for approval by Commissioner Fazande, the motion was seconded by Commissioner Rosen
The minutes were approved unanimously

3. Director's Report given by Executive Director Annemarie Conroy:

Public Use: Continuing use of Island for weddings and private parties continues through out the year. Fox

Sports held annual pre-season baseball luncheon in Building 1 in early February

Environmental cleanup status: No new issues, current issues still ongoing

Short term leases: No new short term leases

Caltrans/Bay Bridge: Still working on problems with PG&E in regards to Bay Cable 6 and backup power for Treasure Island

Community Issues: Child Care Center slated for opening in mid-March. Thanked Sherry Williams of TIHDI for all her hard work on this issue

Citizens' Advisory Board: Meeting and reviewing developer proposal over the past month or so. Will report to TIDA Board at March meeting

TIHDI Report: Annual fundraiser upcoming

Financial report: Revenues so far total \$5.6 million dollars, more than 50% of projected revenues, expenses total \$3.1 million dollars, 29% of projected totals, reflects large lag in inter-departmental recovery

Legislation: TIDA budget to go before Board of Supervisors Budget Committee as part of annual City budget process. 3 pieces of State Legislation pending regarding redevelopment agencies. Asked Commissioner Rosen, who is also head of San Francisco Redevelopment Agency to explain the impact of these pieces of legislation more directly.

Commissioner Rosen spoke regarding the Governors proposal to "sweep" unencumbered housing funds back up to the state level. This is a response to current budget shortfall at the state level. Stated that two shortcomings are the numbers the Governor is using are "old numbers" and the definition of "encumbered" meant only funds in a loan or grant agreement, and not funds currently reserved for a specific project.

Feeling that since redevelopment has access to property tax increments that this is unfairly taking money from schools, and proposal shifts 5% increase per year until "schools share" is returned to the school. This proposal would dramatically impede ability to use tax increment financing for redevelopment throughout the state. State Senate Committees on Housing and Community Development held hearing on legislative proposals that recommended against affordable housing sweep and Governor's ERAF proposals, but recommended a moratorium on actions by redevelopment agencies for an 18 month period. Not a piece of legislation, however, simply a staff report. Chairs of Committees rejected most proposals from staff report however called for further study on redevelopment moratorium. There is still a lot "up for grabs" in terms of redevelopment's place in solving budget problem

Director Conroy thanked Commissioner Rosen. Also mentioned work that TIDA staff members Stephen Proud and Peter Summerville had been conducting to remove old playground structures around Treasure Island as part of "Island Beautification Project".

4. There were no new communications received by the TIDA Board

5. There was no ongoing business discussed by Directors

6. There was no General Public Comment

7. Mr. Stephen Proud, Treasure Island Development Authority Deputy Director, spoke regarding the establishment of a consulting contract with Geomatrix Consultants. Contract to execute two separate scopes of work. Geomatrix performs independent oversight of U.S. Navy's environmental remediation work on Treasure Island. TIDA contract with Geomatrix initially through San Francisco Department of Public Works and in 2001 it was changed to a direct contract between TIDA and Geomatrix. Action would terminate existing contract with Geomatrix and create new "as needed" basis contract, with TIDA, billed by time and materials, to undertake two separate scopes of work: continuation of current work assisting TIDA with U.S. Navy environmental oversight work, as well as new scope of work assisting TIDA with early transfer process with U.S. Navy. Part of the early transfer process would involve Geomatrix helping TIDA secure a guaranteed fixed-price contractor, who would help assess condition of the property, look at environmental documentation and to-date work provided by U.S. Navy, and assist TIDA to develop offer to Navy to be contained within Environmental Services Cooperative Agreement (ESCA). Geomatrix would assist with search for and selection of this guaranteed fixed-price contractor. Commission given scope of work, prepared by Geomatrix, that covers the work that potential contract involves. Staff expects to bring draft Request for Qualifications for guaranteed fixed price contractor to TIDA Board at March meeting

Commissioner Cheng asked if contract for new scope of work needed to be put out to bid Mr. Proud stated that Geomatrix has unique knowledge of situation out at Treasure Island. Also, Geomatrix has made the decision to participate from the "City side" of the process instead of bidding on fixed-price contractor contract, which would be much larger. Unique situation in that groups bidding on fixed-price contractor contract would be precluded from working on the Request for Qualifications (RFQ)/Request for Proposal (RFP) process for this larger contract. Therefore Geomatrix made conscious decision to stay on "City's team". Decision made based on existing knowledge base of Island and relationship with U.S. Navy. Staff felt that to start over with a completely new contractor would hinder the timeline and impact costs for the contract

Mr. Michael Cohen, Deputy City Attorney, stated that this process is legitimate on two grounds. It is a natural extension of the work Geomatrix has done so far and in some respects may still be within scope of work of current contract. Contract carefully delineates tasks being contracted, and TIDA Board has ability to approve by a supermajority vote any sole source contract

Commissioner Elberling asked if there were any additional clean-up costs expected that the Navy would not be paying for. Also asked if there is any new progress with current remediation issues, such as the housing

Mr. Proud stated that there are not any additional clean-up costs anticipated that the Navy will not be paying from. However, any variance from 1996 Reuse Plan would be costs the Navy would not be

responsible for. TIDA is not pushing to make them responsible for these costs, if any. Naval contractors for environmental work are Shaw and Tetratch. Also stated remediation work is back under way with pressure from TIDA, Department of Toxic Substance Control (DTSC), and U.S. Environmental Protection Agency (USEPA). Expect to see a revised environmental document in the next few months

Ms. Conroy suggested providing a timeline to the Authority at the March 2003 meeting detailing the steps necessary for early-transfer of Treasure Island and Yerba Buena Island
Mr. Proud agreed with this suggestion

There was no public comment on this item

Commissioner Po-Rufino motioned for adoption, Commissioner Rosen seconded the motion
The item was approved unanimously

8. Mr. Proud, of TIDA staff, spoke regarding the proposed TIDA Fiscal Year 2003-2004 Budget. Many activities coming up in next fiscal year for TIDA. Revenues proposed to increase by \$1.2 million. Largest source of revenues is housing program which accounts for approximately 77% of all revenues. Expenses projected at \$10.7 million. \$4.8 million transferred to other City Departments for services. \$1.2 million expected to fund TIDA office payroll and operations and \$4.6 million for property acquisition and property management work currently engaged in on Treasure Island and Yerba Buena Island. Always "in a battle" to keep as much money on Treasure Island to be used for redevelopment activities as possible. Increases to S.F. PUC budget for utility bills as well as repay debt with PUC and provide capital funding for improvements to utility systems on Treasure Island. Increase of allocation to TIHDI as well to assist with recreation services on Island as well as increase to Rubicon for increased landscaping work. Expected to be a busy year for the Authority in terms of operations and property transfer as well

Ms. Cheng asked why there was a decrease in revenues for the marina
Ms. Eila Arbuckle, TIDA Finance Manager, stated that marina revenues were projected due to decreased rental of barges and there are only a few tenants of the marina overall

Ms. Cheng asked about the membership line-item in the budget and the increased parking and traffic line-item

Mr. Proud stated that this line-item covered membership fees in several professional organizations that TIDA is a member of or retains as an agency. Also stated that parking and traffic line-item covers speed limit signs, street signs, and other necessary signs and road markings that become necessary as Treasure Island gradually becomes a part of San Francisco and the streets become City streets

Ms. Rosen asked if there was a downward trend in special events revenue, possibly related to the economy
Mr. Proud stated that this is due to a couple venues that are not being utilized any more, the Nimitz House because of the Bay Bridge construction, the Nimitz Conference Center due to size and maintenance concerns and the Fogwatch building

Commissioner Elberling asked if there are currently 12 staff members, as noted in the budget
Mr. Proud stated that currently the staff is short 2 positions and one new staff member has just been hired as a project manager. One staff member occupies a position while classified as a temporary employee and TIDA staff is beginning the process to hire a new facility manager. Indicated the lack of a facilities manager has made several projects on Island hard to attack proactively

Commissioner Elberling asked who the special events coordinator is for TIDA
Mr. Proud indicated that it is Lori Mazzola, who has held the position for the past four years

Commissioner Po-Rufino asked if there were any parts of this budget which vulnerable to cuts when it goes to the board

Mr. Proud stated that the concept of reduction in fire department funds will be a "tough sell", and if this doesn't happen, other items will have to be decreased to supplement the fire department budget

Public Comment:

Ms. Sherry Williams of TIHDI stated that TIDA staff has done a tremendous job for being short handed but the lack of a facilities manager has stalled the renovation of the gymnasium on Treasure Island. This is a critical community resource that hopefully can be utilized. The gym is a critical piece to providing incredible recreation resources for the residents. Hopes to keep the renovation of the gym on the "front burner"

The item was motioned for approval by Commissioner Fazande and seconded by Commissioner Po-Rufino. The motion passed unanimously.

9. Mr. Stephen Proud of TIDA staff introduced Mr. Jay Wallace of Treasure Island Community Development. Stated that TIDA staff is also currently working on formulating a final response and recommendation to the proposal and the Commission should expect this at the regularly scheduled March meeting. Also stated that Treasure Island Citizen's Advisory Board is also hard at work reviewing the revised response and preparing comments for the March meeting.

Mr. Jay Wallace of Treasure Island Community Development indicated that TICD staff assembled and are happy to answer any further questions the Commissioners may have regarding their revised proposal.

Commissioner Cheng asked where the bike lanes will be located in relation to proposed on-street parking. Mr. Wallace stated that roadways have been designed with bike and pedestrian access at the forefront. Ms. Karen Auschuler of SMWM stated that in regards to the Serpentine Path, the bike lanes move along the same route as the Serpentine Path, but don't necessarily have to be connected to the road, they are also located within the open space. There will also be bike lanes along the main streets and a bike path that surrounds the perimeter of the Island as well.

Commissioner Cheng asked what specific financing will be available for ferry funding and other alternative modes of transportation.

Mr. Paul Meneker, of Lennar Communities, stated that Water Transit Authority suggested that capital and operating monies are available through federal and state agencies. Part of this would be toll increases to improve cross-Bay transportation. WTA has plans for capital improvements and operating subsidies. San Francisco MUNI and AC Transit. MUNI has current service to the Island and an increase in population on the Island is expected to bring an increase of funds as well. AC Transit has a direct benefit for people coming from the East Bay to Treasure Island. Need to keep close scrutiny on these funds as they move forward. WTA fund assumes ferry service to the Island, TICD would be paying for increased service in both vehicles and operating funds. Viable plan necessitates viable transportation system. Mr. Wallace stated that TICD keeps close contact with the WTA and other such transportation entities.

Commissioner Fazande asked about a proposed fire and paramedical facility to assist construction on the Bay Bridge.

Mr. Wallace stated that this issue has not been fully resolved. Issues regarding response time, location of station, and others still need to be resolved. It is his understanding that Caltrans is obligated to rebuild fire station. Members of the CAB raise this issue at every meeting. Continues to be an issue of discussion.

Commissioner Fazande asked for explanation of how housing transition between current John Stewart residences and new proposed housing will be accomplished.

Mr. Wallace stated that CAB Housing and Community Benefits subcommittee has raised this issue repeatedly. Acknowledged that TICD needs to provide current residents with a better understanding of what it will mean. Knows that it is a major issue and will have to eventually face it practically and work in good faith with residents and TIDA Board to assure seamless process.

Commissioner Fazande stated that he feels the necessity for an on-site water treatment plant on Treasure Island in case of an event that causes the Islands to be isolated from the City or East Bay MUD water treatment facilities.

Mr. Wallace stated that this issue has been the subject of a preliminary study. Revised pro forma does not bring up the cost of an internal water treatment plant. TICD is in the position where issues like this will be

raised again. Fully expects that further study of this issue and others will take place and this "point is not lost"

Commissioner Po-Rufino stated that she worries about traffic impact on the Bay Bridge that goes along with expanded housing and business expected on Treasure Island over the next several years. Not clear that Bay Bridge can handle the increase in traffic. Mr. Wallace stated that there are expected disincentives, such as traffic and wait time to get onto the bridge, that is expected to encourage people to utilize alternate modes of transportation such as the ferry and busses. Also considering limiting parking to 1 space per unit and not 2 spaces per unit as well as reduce on-street parking to discourage people from relying on cars to get into and out of the City. Ferry system may be implemented early in the process to provide useful service even before full build-out. Mr. Paul Meneker stated that transportation and traffic studies work done by City of San Francisco and U.S. Navy used for estimation of traffic impact on Bay Bridge. Assumptions made by City and Navy used in TICD's proposal as well, didn't change these assumptions, which said level of traffic on bridge would not be affected by full build-out of Treasure Island. Intent is to provide for incentives, such as a strong transportation system, and disincentives, such as parking, traffic on Bay Bridge, and travel times to downtown San Francisco

Commissioner Rosen stated that she is concerned that none of the public revenue sources are allocated for infrastructure, especially the affordable housing parcels. Number of assumptions that conflict with existing law or "overly optimistic" on sources available for affordable housing development, including for example the inclusionary for-rent housing assumes a debt supported by project based Section 8. Two problems with this are Planning Code doesn't allow relying on a rental subsidy to meet inclusionary requirement, this must be internally subsidized. Also additional project based Section 8 available subsidies are questionable in the next few years. Also need to think about jobs-housing linkage payments and issues concerning the fact that payments are made to a central fund and can't be captured for a specific area or neighborhood once payments made, and also an option for meeting this requirement is to provide housing instead of paying the in-lieu fee, and it may be better off to actually develop the housing instead of thinking of it as a one-time payment. Also stated a reliance on 9% tax credits for TIHDI units, which is a very rare and competitive source of financing. Wrong to assume that these units would be competitive in a statewide allocation system for housing subsidies. Stated these are somewhat optimistic assumptions, but still may be able to get to a feasible plan

Mr. Wallace stated that TICD understands their responsibility to provide homes, not pads. They have had lots of discussions with TIHDI and hope to "get there" with TIHDI on most, if not all, issues. Commissioner Rosen acknowledged the hard work and thought that has gone into the proposal and it is a significant improvement from the original proposal. Stated she would be happy to work with TIDA staff on parts of the affordable housing component

Executive Director Conroy stated that the Economic Development Conveyance guidelines for property transfer at Treasure Island dictate that the number one priority is job creation. Must remember that this is the number one goal when discussing housing and heavy cost of infrastructure, not simply a housing project

Mr. Jonathan Stern of Bay Area Economics spoke regarding Commissioner Rosen's comments. Stated that the inclusionary rental housing relies only on debt from inclusionary rents, and project-based Section 8 discussion only relates to TIHDI properties

Commissioner Elberling asked how much conventional financing and financing from developer was going to be put into the project

Mr. Don Larsen of Lennar Communities stated that on the 12-year pro-forma the equity balance has been assumed. No outside financing sources have been assumed yet

Commissioner Elberling asked if the developer was planning on paying the interest on financing from a conventional financing source such as an insurance company, and if it is TICD's intent to seek this type of financing that would be less expensive than equity financing

Mr. Larsen stated that conventional financing would benefit the overall development but due to the nature of the development at this time, they are not sure if they would have financing partners, so to be conservative they are assuming the developers will have to put up 100% equity investment

Commissioner Elberling asked if they could produce a table that would show the project financing stretched over 20 years, instead of 10, to anticipate a "worst case scenario" where the project would take longer than anticipated

Mr. Larsen stated that TICD should be able to produce a 20 year pro-forma within the next week or two, which would project an almost doubled time schedule

Commissioner Elberling asked what interest rates were used for public financing assumptions and which inflation rate was being used

Mr. Larsen stated that he believed it was an interest rate of 7.5% and an inflation rate of 2% on revenues and costs. Increased inflation would help improve the pro-forma since revenues, which are a larger number, are increased as well

Mr. Wallace stated that TICD tried to be conservative throughout the pro-forma and not be too aggressive, an example of this is the average prices of the for-sale units. If these types of prices are low, then the pro-forma will only improve. Tried to make the pro-forma as feasible as possible

Public Comment

Ms. Ruth Gravanis, of the Alliance for a Clean Waterfront, spoke regarding sewage treatment on Treasure Island. Was happy that Commissioner Fazande raised this point. Wanted to indicate that the PUC has no position at this time whether sewage should be treated on or off site. Water supply could not be affected that badly if quake on the Hayward Fault affects Eastern span of the Bay Bridge more so than Western span, where much of water treatment is coming from. Hopes to keep a number of other options open for water treatment

Ms. Anne Mead, of the Soul of America Project, spoke regarding their mission to create a significant work of public art on the redeveloped Treasure Island. Just held a major conference on Treasure Island last week. Happy with plan and responsiveness of developer. Thinks process should continue. Specific concern is that the cultural center, now moved from original site on the tip of Island to an area near ferry terminal, will occupy site near where Soul of America artwork will likely be

Commissioner Cheng asked if there is a "magic number" that the U.S. Navy looks at in terms of job creation in these types of base reuse projects

Mr. Proud stated that there is no type of magic number, but a good baseline is a "one for one" matching of created jobs to jobs on Island when it was an active base. This proposal and the TIDA office are shooting for a "two or three to one" ratio

10. There were no future agenda items discussed

11. The meeting adjourned at 3:43 pm

FINE ARTS MUSEUMS OF SAN FRANCISCO

Executive Committee
March 13, 2003

Meeting Schedule

A. Executive Committee Meetings

<u>Date</u>	<u>Time</u>	<u>Location</u>
March 13, 2003	noon	6 th Floor, 233 Post Street
May 8, 2003	noon	6 th Floor, 233 Post Street
September 11, 2003	noon	6 th Floor, 233 Post Street
November 13, 2003	noon	6 th Floor, 233 Post Street
December 11, 2003	noon	6 th Floor, 233 Post Street

B. Board of Trustees Meetings

<u>Date</u>	<u>Time</u>	<u>Location</u>
April 10, 2003	3 p.m.	Board Room, Legion of Honor
June 12, 2003 ¹	3 p.m.	Board Room, Legion of Honor
October 9, 2003	3 p.m.	Board Room, Legion of Honor

C. Future Events

<u>Date</u>	<u>Event</u>
March 10-14, 2003	Bouquets to Art
May 18-25, 2003	Museum Associates Trip to the Adirondacks / Maine
June 5, 2003	Annual Luncheon / Pia Palladino, Assistant Curator of the Robert Lehman Collection, Metropolitan Museum of Art, New York City
October 16, 2003	Opening of <i>Degas Sculptures</i>
October 15-17, 2003	National Council Meeting
October 18, 2003	New de Young "Topping Off" Celebration
October 24 - November 2, 2003	Museum Associates Trip to Mexico

-- over --

¹ To be changed to Thursday, June 26, 2003.

D. Current and Future Exhibitions (*Exhibitions organized by FAMSF)

<u>Title</u>	<u>Date</u>	<u>Gallery</u>
African Art from The Fine Arts Museums (Tour to Monterrey, Mexico)	03/25/03-07/25/03	
Textile Rotation*	10/05/02/-04/27/03	Legion 3/9/9c/hall
Fan and Costume Rotation*	10/26/02-ongoing	Legion 9 a/c
Big Prints*	01/25/03-08/31/03	Legion 1
Henry Moore: Celebrating a Gift*	01/25/03-05/18/03	Legion 2
Frank Lobdell: The Art of Making and Meaning*	03/01/03-05/25/03	Legion 14 & 10
The Evolution of Imagery: The Sketchbooks of Frank Lobdell*	03/01/03-06/15/03	Legion Logan
Leonardo da Vinci and The Splendor of Poland	03/08/03-05/18/03	Legion A-F Rosekrans
Bouquets to Art	03/11/03-03/14/03	Legion All
Textile Rotation*	05/03/03-10/26/03	Legion 3/9/9c/hall
Black and White Prints from the 1970s and 1980s*	05/31/03-09/28/03	Legion A
Treasures of a Lost Art: Italian Manuscript Painting of the Middle Ages and Renaissance	06/07/03-08/31/03	Legion B, E, Rosekrans
Artist Book Rotation*	06/21/03-10/19/03	Legion Logan
Indian Photography from the Ehrenfeld Collection*	09/14/03-03/07/04	Legion 1-2
Degas Sculptures	10/18/03-02/08/04	Legion B-E, Rosekrans
Anderson Print Rotation*	10/18/03-2/8/04	Legion F
Textile Rotation*	11/01/03-04/25/04	Legion 3/9/9c/hall

OFFICE OF THE MAYOR
SAN FRANCISCO



WILLIE LEWIS BROWN, JR.

TREASURE ISLAND DEVELOPMENT AUTHORITY
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TREASURE ISLAND DEVELOPMENT AUTHORITY
MEETING AGENDA
March 12, 2003 1:30 P.M.

Room 400, City Hall
1 Dr. Carlton Goodlett Place

Willie L. Brown, Jr., Mayor

DIRECTORS

Claudine Cheng, Chair
William Fazande, Vice-Chair
John Elberling
Marcia Rosen

Gerald Green
Susan Po-Rufino
Doug Wong

Annemarie Conroy, Executive Director
Peter Summerville, Commission Secretary

ORDER OF BUSINESS

1. Call to Order and Roll Call
2. Approval of Minutes (*Action Item*)
3. Report by Executive Director Annemarie Conroy (*Discussion Item*)
 - Report on access to Treasure Island including public use last month
 - Status of environmental clean up
 - Report on short-term leases
 - Report on San Francisco-Oakland Bay Bridge/Caltrans issues
 - Report on Treasure Island community issues
 - Report on Citizens Advisory Board
 - Report on TIHDI
 - Financial Report
 - Legislation/hearings affecting Treasure Island
4. Communications (*Discussion Item*)
5. Ongoing Business by Directors (*Discussion Item*)
6. General Public Comment (*Discussion Item*)

In addition to General Public Comment (Item #6), Public Comment will be held during each item on the agenda.

7. Resolution authorizing the Authority to extend a month-to-month Sublease with the City and County of San Francisco, acting by and through its Department of Real Estate, on behalf of the Department of Aging and Adult Services for the use of Room 21 in Building 1 (*Action Item*)
8. Resolution Authorizing the Executive Director to issue a Request for Qualifications for a Guaranteed Fixed-Price Contractor to assist the Authority in negotiations and implementation of an Early Transfer for Former Naval Station Treasure Island (*Action Item*)

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9. Presentation of staff and consultant review committee analysis of the final response to the Focused Request for Proposal prepared by Treasure Island Community Development for the redevelopment of Former Naval Station Treasure Island (*Discussion Item*)
10. Presentation of comments from the Chair of the Treasure Island/Yerba Buena Island Citizen's Advisory Board regarding the revised response to the focused Request For Proposal for the redevelopment of former Naval Station Treasure Island (*Discussion Item*)
11. Resolution finding that Treasure Island Community Development's final response to the Focused Request for Proposal for the Redevelopment of Treasure Island meets the criteria of the RFP and warrants the Authority entering into exclusive negotiations with TICD for the redevelopment of Treasure Island, subject to the Authority's separate approval of an Exclusive Negotiating Agreement with TICD (*Action Item*)
12. Discussion of Future Agenda Items by Directors (*Discussion Item*)
13. Adjourn

Relevant documents such as resolutions, staff summaries, leases, subleases are available at the Treasure Island Project Office and the Government Information Center at the Main Library, 100 Larkin Street. Public comment is taken on each item on the agenda.

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TREASURE ISLAND WEBSITE

Check out the Treasure Island website at www.sfgov.org/treasureisland to find out about activities and facilities on Treasure Island, special events venues for rent, or to review the Treasure Island Development Authority's agendas and minutes.



Notes



OFFICE OF THE MAYOR
SAN FRANCISCO

TREASURE ISLAND DEVELOPMENT AUTHORITY
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WILLIE LEWIS BROWN, JR.

DRAFT Minutes of Meeting
Treasure Island Development Authority
February 12th, 2003

City Hall, Room 400
1 Carlton B. Goodlett Place
San Francisco, CA

1. Call to order 1:38 PM

Roll Call Present: Claudine Cheng (Chair)
William Fazande (Vice-Chair)
John Elberling
Susan Po-Rufino
Marcia Rosen
Douglas Wong

Excused: Gerald Green

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2. The minutes of the January 8, 2003 TIDA meeting were motioned for approval by Commissioner Fazande, the motion was seconded by Commissioner Rosen
The minutes were approved unanimously

3. Director's Report given by Executive Director Annemarie Conroy:

Public Use: Continuing use of Island for weddings and private parties continues through out the year. Fox Sports held annual pre-season baseball luncheon in Building 1 in early February

Environmental cleanup status: No new issues, current issues still ongoing

Short term leases: No new short term leases

Caltrans/Bay Bridge: Still working on problems with PG&E in regards to Bay Cable 6 and backup power for Treasure Island

Community Issues: Child Care Center slated for opening in mid-March. Thanked Sherry Williams of TIHDI for all her hard work on this issue

Citizens' Advisory Board: Meeting and reviewing developer proposal over the past month or so. Will report to TIDA Board at March meeting

TIHDI Report: Annual fundraiser upcoming

Financial report: Revenues so far total \$5.6 million dollars, more than 50% of projected revenues, expenses total \$3.1 million dollars, 29% of projected totals, reflects large lag in inter-departmental recovery

Legislation: TIDA budget to go before Board of Supervisors Budget Committee as part of annual City budget process. 3 pieces of State Legislation pending regarding redevelopment agencies. Asked Commissioner Rosen, who is also head of San Francisco Redevelopment Agency to explain the impact of these pieces of legislation more directly.

Commissioner Rosen spoke regarding the Governors proposal to "sweep" unencumbered housing funds back up to the state level. This is a response to current budget shortfall at the state level. Stated that two shortcomings are the numbers the Governor is using are "old numbers" and the definition of "encumbered" meant only funds in a loan or grant agreement, and not funds currently reserved for a specific project.

Feeling that since redevelopment has access to property tax increments that this is unfairly taking money from schools, and proposal shifts 5% increase per year until "schools share" is returned to the school. This proposal would dramatically impede ability to use tax increment financing for redevelopment throughout the state. State Senate Committees on Housing and Community Development held hearing on legislative proposals that recommended against affordable housing sweep and Governor's ERAF proposals, but recommended a moratorium on actions by redevelopment agencies for an 18 month period. Not a piece of legislation, however, simply a staff report. Chairs of Committees rejected most proposals from staff report however called for further study on redevelopment moratorium. There is still a lot "up for grabs" in terms of redevelopment's place in solving budget problem

Director Conroy thanked Commissioner Rosen. Also mentioned work that TIDA staff members Stephen Proud and Peter Summerville had been conducting to remove old playground structures around Treasure Island as part of "Island Beautification Project".

4. There were no new communications received by the TIDA Board

5. There was no ongoing business discussed by Directors

6. There was no General Public Comment

7. Mr. Stephen Proud, Treasure Island Development Authority Deputy Director, spoke regarding the establishment of a consulting contract with Geomatrix Consultants. Contract to execute two separate scopes of work. Geomatrix performs independent oversight of U.S. Navy's environmental remediation work on Treasure Island. TIDA contract with Geomatrix initially through San Francisco Department of Public Works and in 2001 it was changed to a direct contract between TIDA and Geomatrix. Action would terminate existing contract with Geomatrix and create new "as needed" basis contract, with TIDA, billed by time and materials, to undertake two separate scopes of work: continuation of current work assisting TIDA with U.S. Navy environmental oversight work, as well as new scope of work assisting TIDA with early transfer process with U.S. Navy. Part of the early transfer process would involve Geomatrix helping TIDA secure a guaranteed fixed-price contractor, who would help assess condition of the property, look at environmental documentation and to-date work provided by U.S. Navy, and assist TIDA to develop offer to Navy to be contained within Environmental Services Cooperative Agreement (ESCA). Geomatrix would assist with search for and selection of this guaranteed fixed-price contractor. Commission given scope of work, prepared by Geomatrix, that covers the work that potential contract involves. Staff expects to bring draft Request for Qualifications for guaranteed fixed price contractor to TIDA Board at March meeting

Commissioner Cheng asked if contract for new scope of work needed to be put out to bid. Mr. Proud stated that Geomatrix has unique knowledge of situation out at Treasure Island. Also, Geomatrix has made the decision to participate from the "City side" of the process instead of bidding on fixed-price contractor contract, which would be much larger. Unique situation in that groups bidding on fixed-price contractor contract would be precluded from working on the Request for Qualifications (RFQ)/Request for Proposal (RFP) process for this larger contract. Therefore Geomatrix made conscious decision to stay on "City's team". Decision made based on existing knowledge base of Island and relationship with U.S. Navy. Staff felt that to start over with a completely new contractor would hinder the timeline and impact costs for the contract

Mr. Michael Cohen, Deputy City Attorney, stated that this process is legitimate on two grounds. It is a natural extension of the work Geomatrix has done so far and in some respects may still be within scope of work of current contract. Contract carefully delineates tasks being contracted, and TIDA Board has ability to approve by a supermajority vote any sole source contract

Commissioner Elberling asked if there were any additional clean-up costs expected that the Navy would not be paying for. Also asked if there is any new progress with current remediation issues, such as the housing

Mr. Proud stated that there are not any additional clean-up costs anticipated that the Navy will not be paying from. However, any variance from 1996 Reuse Plan would be costs the Navy would not be

responsible for. TIDA is not pushing to make them responsible for these costs, if any. Naval contractors for environmental work are Shaw and Tetrattech. Also stated remediation work is back under way with pressure from TIDA, Department of Toxic Substance Control (DTSC), and U.S. Environmental Protection Agency (USEPA). Expect to see a revised environmental document in the next few months

Ms. Conroy suggested providing a timeline to the Authority at the March 2003 meeting detailing the steps necessary for early-transfer of Treasure Island and Yerba Buena Island
Mr. Proud agreed with this suggestion

There was no public comment on this item

Commissioner Po-Rufino motioned for adoption, Commissioner Rosen seconded the motion
The item was approved unanimously

8. Mr. Proud, of TIDA staff, spoke regarding the proposed TIDA Fiscal Year 2003-2004 Budget. Many activities coming up in next fiscal year for TIDA. Revenues proposed to increase by \$1.2 million. Largest source of revenues is housing program which accounts for approximately 77% of all revenues. Expenses projected at \$10.7 million. \$4.8 million transferred to other City Departments for services. \$1.2 million expected to fund TIDA office payroll and operations and \$4.6 million for property acquisition and property management work currently engaged in on Treasure Island and Yerba Buena Island. Always "in a battle" to keep as much money on Treasure Island to be used for redevelopment activities as possible. Increases to S.F. PUC budget for utility bills as well as repay debt with PUC and provide capital funding for improvements to utility systems on Treasure Island. Increase of allocation to TIHDI as well to assist with recreation services on Island as well as increase to Rubicon for increased landscaping work. Expected to be a busy year for the Authority in terms of operations and property transfer as well

Ms. Cheng asked why there was a decrease in revenues for the marina
Ms. Eila Arbutuckle, TIDA Finance Manager, stated that marina revenues were projected due to decreased rental of barges and there are only a few tenants of the marina overall

Ms. Cheng asked about the membership line-item in the budget and the increased parking and traffic line-item

Mr. Proud stated that this line-item covered membership fees in several professional organizations that TIDA is a member of or retains as an agency. Also stated that parking and traffic line-item covers speed limit signs, street signs, and other necessary signs and road markings that become necessary as Treasure Island gradually becomes a part of San Francisco and the streets become City streets

Ms. Rosen asked if there was a downward trend in special events revenue, possibly related to the economy
Mr. Proud stated that this is due to a couple venues that are not being utilized any more, the Nimitz House because of the Bay Bridge construction, the Nimitz Conference Center due to size and maintenance concerns and the Fogwatch building

Commissioner Elberling asked if there are currently 12 staff members, as noted in the budget
Mr. Proud stated that currently the staff is short 2 positions and one new staff member has just been hired as a project manager. One staff member occupies a position while classified as a temporary employee and TIDA staff is beginning the process to hire a new facility manager. Indicated the lack of a facilities manager has made several projects on Island hard to attack proactively

Commissioner Elberling asked who the special events coordinator is for TIDA
Mr. Proud indicated that it is Lori Mazzola, who has held the position for the past four years

Commissioner Po-Rufino asked if there were any parts of this budget which vulnerable to cuts when it goes to the board

Mr. Proud stated that the concept of reduction in fire department funds will be a "tough sell", and if this doesn't happen, other items will have to be decreased to supplement the fire department budget

Public Comment:

Ms. Sherry Williams of TIHDI stated that TIDA staff has done a tremendous job for being short handed but the lack of a facilities manager has stalled the renovation of the gymnasium on Treasure Island. This is a critical community resource that hopefully can be utilized. The gym is a critical piece to providing incredible recreation resources for the residents. Hopes to keep the renovation of the gym on the "front burner"

The item was motioned for approval by Commissioner Fazande and seconded by Commissioner Po-Rufino. The motion passed unanimously.

9. Mr. Stephen Proud of TIDA staff introduced Mr. Jay Wallace of Treasure Island Community Development. Stated that TIDA staff is also currently working on formulating a final response and recommendation to the proposal and the Commission should expect this at the regularly scheduled March meeting. Also stated that Treasure Island Citizen's Advisory Board is also hard at work reviewing the revised response and preparing comments for the March meeting.

Mr. Jay Wallace of Treasure Island Community Development indicated that TICD staff assembled and are happy to answer any further questions the Commissioners may have regarding their revised proposal.

Commissioner Cheng asked where the bike lanes will be located in relation to proposed on-street parking. Mr. Wallace stated that roadways have been designed with bike and pedestrian access at the forefront. Ms. Karen Auschuler of SMWM stated that in regards to the Serpentine Path, the bike lanes move along the same route as the Serpentine Path, but don't necessarily have to be connected to the road, they are also located within the open space. There will also be bike lanes along the main streets and a bike path that surrounds the perimeter of the Island as well.

Commissioner Cheng asked what specific financing will be available for ferry funding and other alternative modes of transportation.

Mr. Paul Meneker, of Lennar Communities, stated that Water Transit Authority suggested that capital and operating monies are available through federal and state agencies. Part of this would be toll increases to improve cross-Bay transportation. WTA has plans for capital improvements and operating subsidies. San Francisco MUNI and AC Transit. MUNI has current service to the Island and an increase in population on the Island is expected to bring an increase of funds as well. AC Transit has a direct benefit for people coming from the East Bay to Treasure Island. Need to keep close scrutiny on these funds as they move forward. WTA fund assumes ferry service to the Island, TICD would be paying for increased service in both vehicles and operating funds. Viable plan necessitates viable transportation system.

Mr. Wallace stated that TICD keeps close contact with the WTA and other such transportation entities.

Commissioner Fazande asked about a proposed fire and paramedical facility to assist construction on the Bay Bridge.

Mr. Wallace stated that this issue has not been fully resolved. Issues regarding response time, location of station, and others still need to be resolved. It is his understanding that Caltrans is obligated to rebuild fire station. Members of the CAB raise this issue at every meeting. Continues to be an issue of discussion.

Commissioner Fazande asked for explanation of how housing transition between current John Stewart residences and new proposed housing will be accomplished.

Mr. Wallace stated that CAB Housing and Community Benefits subcommittee has raised this issue repeatedly. Acknowledged that TICD needs to provide current residents with a better understanding of what it will mean. Knows that it is a major issue and will have to eventually face it practically and work in good faith with residents and TIDA Board to assure seamless process.

Commissioner Fazande stated that he feels the necessity for an on-site water treatment plant on Treasure Island in case of an event that causes the Islands to be isolated from the City or East Bay MUD water treatment facilities.

Mr. Wallace stated that this issue has been the subject of a preliminary study. Revised pro forma does not bring up the cost of an internal water treatment plant. TICD is in the position where issues like this will be

raised again. Fully expects that further study of this issue and others will take place and this "point is not lost"

Commissioner Po-Rufino stated that she worries about traffic impact on the Bay Bridge that goes along with expanded housing and business expected on Treasure Island over the next several years. Not clear that Bay Bridge can handle the increase in traffic

Mr. Wallace stated that there are expected disincentives, such as traffic and wait time to get onto the bridge, that is expected to encourage people to utilize alternate modes of transportation such as the ferry and buses. Also considering limiting parking to 1 space per unit and not 2 spaces per unit as well as reduce on-street parking to discourage people from relying on cars to get into and out of the City. Ferry system may be implemented early in the process to provide useful service even before full build-out

Mr. Paul Meneker stated that transportation and traffic studies work done by City of San Francisco and U.S. Navy used for estimation of traffic impact on Bay Bridge. Assumptions made by City and Navy used in TIDC's proposal as well, didn't change these assumptions, which said level of traffic on bridge would not be affected by full build-out of Treasure Island. Intent is to provide for incentives, such as a strong transportation system, and disincentives, such as parking, traffic on Bay Bridge, and travel times to downtown San Francisco

Commissioner Rosen stated that she is concerned that none of the public revenue sources are allocated for infrastructure, especially the affordable housing parcels. Number of assumptions that conflict with existing law or "overly optimistic" on sources available for affordable housing development, including for example the inclusionary for-rent housing assumes a debt supported by project based Section 8. Two problems with this are Planning Code doesn't allow relying on a rental subsidy to meet inclusionary requirement, this must be internally subsidized. Also additional project based Section 8 available subsidies are questionable in the next few years. Also need to think about jobs-housing linkage payments and issues concerning the fact that payments are made to a central fund and can't be captured for a specific area or neighborhood once payments made, and also an option for meeting this requirement is to provide housing instead of paying the in-lieu fee, and it may be better off to actually develop the housing instead of thinking of it as a one-time payment. Also stated a reliance on 9% tax credits for TIHDI units, which is a very rare and competitive source of financing. Wrong to assume that these units would be competitive in a statewide allocation system for housing subsidies. Stated these are somewhat optimistic assumptions, but still may be able to get to a feasible plan

Mr. Wallace stated that TIDC understands their responsibility to provide homes, not pads. They have had lots of discussions with TIHDI and hope to "get there" with TIHDI on most, if not all, issues. Commissioner Rosen acknowledged the hard work and thought that has gone into the proposal and it is a significant improvement from the original proposal. Stated she would be happy to work with TIDA staff on parts of the affordable housing component

Executive Director Conroy stated that the Economic Development Conveyance guidelines for property transfer at Treasure Island dictate that the number one priority is job creation. Must remember that this is the number one goal when discussing housing and heavy cost of infrastructure, not simply a housing project

Mr. Jonathan Stern of Bay Area Economics spoke regarding Commissioner Rosen's comments. Stated that the inclusionary rental housing relies only on debt from inclusionary rents, and project-based Section 8 discussion only relates to TIHDI properties

Commissioner Elberling asked how much conventional financing and financing from developer was going to be put into the project

Mr. Don Larsen of Lennar Communities stated that on the 12-year pro-forma the equity balance has been assumed. No outside financing sources have been assumed yet

Commissioner Elberling asked if the developer was planning on paying the interest on financing from a conventional financing source such as an insurance company, and if it is TIDC's intent to seek this type of financing that would be less expensive than equity financing

Mr. Larsen stated that conventional financing would benefit the overall development but due to the nature of the development at this time, they are not sure if they would have financing partners, so to be conservative they are assuming the developers will have to put up 100% equity investment

Commissioner Elberling asked if they could produce a table that would show the project financing stretched over 20 years, instead of 10, to anticipate a "worst case scenario" where the project would take longer than anticipated

Mr. Larsen stated that TICD should be able to produce a 20 year pro-forma within the next week or two, which would project an almost doubled time schedule

Commissioner Elberling asked what interest rates were used for public financing assumptions and which inflation rate was being used

Mr. Larsen stated that he believed it was an interest rate of 7.5% and an inflation rate of 2% on revenues and costs. Increased inflation would help improve the pro-forma since revenues, which are a larger number, are increased as well

Mr. Wallace stated that TICD tried to be conservative throughout the pro-forma and not be too aggressive, an example of this is the average prices of the for-sale units. If these types of prices are low, then the pro-forma will only improve. Tried to make the pro-forma as feasible as possible

Public Comment

Ms. Ruth Gravanis, of the Alliance for a Clean Waterfront, spoke regarding sewage treatment on Treasure Island. Was happy that Commissioner Fazande raised this point. Wanted to indicate that the PUC has no position at this time whether sewage should be treated on or off site. Water supply could not be affected that badly if quake on the Hayward Fault affects Eastern span of the Bay Bridge more so than Western span, where much of water treatment is coming from. Hopes to keep a number of other options open for water treatment

Ms. Anne Mead, of the Soul of America Project, spoke regarding their mission to create a significant work of public art on the redeveloped Treasure Island. Just held a major conference on Treasure Island last week. Happy with plan and responsiveness of developer. Thinks process should continue. Specific concern is that the cultural center, now moved from original site on the tip of Island to an area near ferry terminal, will occupy site near where Soul of America artwork will likely be

Commissioner Cheng asked if there is a "magic number" that the U.S. Navy looks at in terms of job creation in these types of base reuse projects

Mr. Proud stated that there is no type of magic number, but a good baseline is a "one for one" matching of created jobs to jobs on Island when it was an active base. This proposal and the TIDA office are shooting for a "two or three to one" ratio

10. There were no future agenda items discussed

11. The meeting adjourned at 3:43 pm

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TREASURE ISLAND DEVELOPMENT AUTHORITY
City and County of San Francisco

Agenda Item No. 7

March 12, 2003

Subject: Resolution authorizing the Authority to extend a month-to-month Sublease with the City and County of San Francisco, acting by and through its Department of Real Estate on behalf of the Department of Aging and Adult Services for the use of Room 21 in Building 1.

Staff Contact: Marianne Conarroe 274-0660

SUMMARY OF PROPOSED ACTION

Staff is requesting the Authority to adopt a resolution to continue a month-to-month sublease with the Department of Aging and Adult Services ("DAAS") for use of Room 21 in Building 1 as storage space on the same terms as the original sublease dated August 9, 2001.

DISCUSSION

The Executive Director first entered into the Sublease with the DAAS in August 2001 for a six-month term. Under the Authority's Rules and Procedures for the transfer of Real Property, continuation of the sublease on a month-to-month basis for a twelve month period requires Authority approval. The Authority entered into the second term in January 2002 which expired in January 31, 2003. This extension of term is set to expire on January 31, 2004.

The sublease provides for use of a small room in Building 1 by the Department of Aging and Adult Services for a storage space of personal property of conservatees and estates, generally consisting of files and paper goods, books, and personal mementos, and for no other purpose. Room 21 is approximately 500 square feet and is located in the basement of Building 1.

RECOMMENDATION

Staff recommends approval for the Authority to continue a month-to-month sublease with the DAAS for an additional twelve months. Further continuation of the Sublease beyond January 31, 2004 would require additional Authority approval.

EXHIBITS

Original Sublease dated August 9, 2001



[Continuation of Month-to-Month Sublease of Building 1, Room 21]

AUTHORIZING THE EXECUTIVE DIRECTOR TO EXTEND THE SUBLEASE FOR BUILDING 1, ROOM 21 WITH THE SAN FRANCISCO DEPARTMENT OF AGING AND ADULT SERVICES ON A MONTH-TO-MONTH BASIS FOR A PERIOD NOT TO EXCEED TWELVE MONTHS.

WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the Act"), the California Legislature (i) designated the Authority as a redevelopment agency under California redevelopment law with authority over former Naval Station Treasure Island (the "Base"), and (ii), with respect to those portions of the Base which are subject to the public trust for commerce, navigation and fisheries, (the "Tidelands Trust"), vested in the Authority the authority to administer the Tidelands Trust as to such property; and

WHEREAS, The Tidelands Trust prohibits the sale of Tidelands Trust property into private ownership, generally requires that Tideland Trust property be accessible to the public and encourages public oriented uses of trust property that among other things, attract people to the waterfront, promote public recreation, protect habitat and preserve open space; and,

WHEREAS, The Board of Supervisors approved the designation of the Authority as a redevelopment agency with powers over Treasure Island in Resolution No. 43-98, dated February 6, 1998; and

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1 **WHEREAS**, on August 9, 2001, the Authority's Executive Director, acting under
2 Section 10 of the Authority's Rules and Procedures for the Transfer and Use of Real
3 Property, adopted by the Authority on March 11, 1998 (the "Transfer Rules"), entered into a
4 month-to-month sublease (the "Sublease") attached as Exhibit A, with the City and County
5 of San Francisco acting by and through its Department of Real Estate on behalf of the San
6 Francisco Department of Aging and Adult Services ("Subtenant") for the use of Room 21
7 located in Building 1 (the "Initial Premises") for storage space at a rental rate of Five
8 Hundred Dollars (\$500.00) per month; and
9

10 **WHEREAS**, under Section 10 of the Transfer Rules, even a month-to-month
11 sublease has to be separately approved by the Authority if the cumulative term of such
12 sublease exceeds six months and the six month term has expired; and
13

14 **WHEREAS**, the Authority approved of an extension of the term for an additional
15 twelve months in February 2002; and
16

17 **WHEREAS**, Subtenant wishes to continue to occupy the Premises under the
18 Sublease on a month-to-month basis for an additional twelve months; now therefore be it
19

20 **RESOLVED:** That the Board of Directors hereby approves and authorizes the
21 continuation of the Sublease on a month-to-month basis for up to twelve months as set
22 forth in the Amendment to the Sublease attached as Exhibit B; provided that nothing herein
23 shall limit the Authority's ability to terminate the Sublease on thirty days notice as provided
24 in the Sublease and provided further that any continued occupancy of the Premises under
25 the Sublease past January 31, 2004 shall require the separate approval of the Authority.

1
2 **CERTIFICATE OF SECRETARY**

3 I hereby certify that I am the duly elected and acting Secretary of the Treasure
4 Island Development Authority, a California nonprofit public benefit corporation, and
5 that the above Resolution was duly adopted and approved by the Board of Directors
6 of the Authority at a properly noticed meeting on March 12, 2003.
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9 _____
10 **William Fazande**
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INTERIM SUBLEASE

between

THE TREASURE ISLAND DEVELOPMENT AUTHORITY

as Sublandlord

and

CITY AND COUNTY OF SAN FRANCISCO

as Subtenant

For the Sublease of

**Building 1, Room 21 at
Naval Station Treasure Island
San Francisco, California**

August 1, 2001

TREASURE ISLAND SUBLEASE

Table of Contents

<u>Section</u>	<u>Page</u>
1 PREMISES.....	1
2 COMPLIANCE WITH MASTER LEASE.....	3
3 TERM.....	3
4 RENT.....	3
5 TAXES, ASSESSMENTS AND OTHER EXPENSES.....	4
6 USE; COVENANTS TO PROTECT PREMISES.....	5
7 ALTERATIONS.....	7
8 REPAIRS AND MAINTENANCE.....	8
9 LIENS.....	9
10 COMPLIANCE WITH LAWS.....	10
11 ENCUMBRANCES.....	11
12 DAMAGE OR DESTRUCTION.....	11
13 ASSIGNMENT AND SUBLETTING.....	12
14 DEFAULT; REMEDIES.....	12
15 RELEASE AND WAIVER OF CLAIMS; INDEMNIFICATION.....	13
16 INSURANCE.....	16
17 ACCESS BY SUBTENANT.....	17
18 SURRENDER.....	20
19 HAZARDOUS MATERIALS.....	20
20 GENERAL PROVISIONS.....	22
21 SPECIAL PROVISIONS.....	27

LIST OF EXHIBITS:

EXHIBIT A -- Master Lease

EXHIBIT B -- Drawing of the Property

EXHIBIT C -- Drawing of the Premises

EXHIBIT D -- Rules and Regulations

EXHIBIT E -- Utilities

TREASURE ISLAND SUBLEASE

THIS SUBLEASE (the "Sublease"), dated as of this 1st day of August 2001, is by and between the Treasure Island Development Authority ("Sublandlord") and City and County of San Francisco acting by and through its Director of Property on behalf of the Department on Aging ("Subtenant"). From time to time, Sublandlord and Subtenant together shall be referred to herein as the "Parties".

This Sublease is made with reference to the following facts and circumstances:

A. The United States of America, acting by and through the Department of Navy ("Master Landlord") and Sublandlord entered into a lease (the "Master Lease") dated September 5, 1998, a copy of which is attached hereto as Exhibit A. Under the Master Lease, the Master Landlord leased to Sublandlord all of Building 1 located on Treasure Island Naval Station (the "Property"), together with a non-exclusive right to use certain related parking, all as more particularly shown on the map attached hereto as Exhibit B (the "Premises").

B. Subtenant desires to sublet Room 21 in Building 1 of the Property (as depicted on Exhibit C, attached and hereafter referred to as the "Premises") from Sublandlord and Sublandlord is willing to sublet the Premises to Subtenant on the terms and conditions contained in this Sublease.

NOW THEREFORE, Sublandlord and Subtenant hereby agree as follows:

1. PREMISES

1.1. **Subleased Premises.** Subject to the terms, covenants and conditions of this Sublease, Sublandlord subleases to Subtenant the Premises of Room 21 in Building 1, including the improvements thereon.

1.2. As Is Condition of Premises.

(a) **Inspection of Premises.** Subtenant represents and warrants that Subtenant has conducted a thorough and diligent inspection and investigation, either independently or through its officers, directors, employees, agents, affiliates, subsidiaries, licensees and contractors, and their respective heirs, legal representatives, successors and assigns, and each of them, ("Subtenant's Agents") of the Premises and the suitability of the Premises for Subtenant's intended use. Subtenant is fully aware of the needs of its operations and has determined, based solely on its own investigation, that the Premises are suitable for its operations and intended uses.

(b) **As Is; Disclaimer of Representations.** Subtenant acknowledges and agrees that the Premises are being subleased and accepted in their "AS IS, WITH ALL FAULTS" condition, without representation or warranty of any kind, and subject to all applicable laws, statutes, ordinances, resolutions, regulations, proclamations, orders or decrees of any municipal, county, state or federal government or other governmental or regulatory authority with jurisdiction over the Premises, or any portion thereof, whether currently in effect or adopted in the future and whether or not in the contemplation of the Parties, including without limitation the orders and citations of any regulatory authority with jurisdiction over life and safety issues concerning the Premises ("Laws") governing the use, occupancy, management, operation and possession of the Premises. Without limiting the foregoing, this Sublease is made subject to any and all covenants, conditions, restrictions, easements and other title matters affecting the Premises, or any portion thereof, whether or not of record. Subtenant acknowledges and agrees that neither Sublandlord, the City and County of San Francisco ("City"), nor any of their respective officers, directors, employees, agents, affiliates, subsidiaries, licensees or contractors, or their respective heirs, legal representatives, successors and assigns ("Sublandlord's Agents") have made, and Sublandlord hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, including, without limitation, the matters described in the Seismic Report (as defined below) (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the feasibility, cost or legality of constructing any Alterations on the Premises if required for Subtenant's use and permitted under this Sublease, (v) the safety of the Premises, whether for the use of Subtenant or any other person, including Subtenant's Agents or Subtenant's clients, customers, vendors, invitees, guests, members, licensees, assignees or subtenants ("Subtenant's Invitees"), or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties of merchantability or fitness for a particular purpose or compliance with disability access laws.

2. COMPLIANCE WITH MASTER LEASE

2.1. Incorporation by Reference. All of the terms and conditions of the Master Lease are hereby incorporated by reference into this Sublease as if fully set forth herein

2.2. Conflict. If any of the provisions of this Sublease conflict with any portion of the Master Lease as incorporated herein, then the terms of the Master Lease shall govern.

2.3. Compliance with Master Lease. Subtenant shall not do or permit to be done anything which would constitute a violation or a breach of any of the terms, conditions or provisions of the Master Lease or which would cause the Master Lease to be terminated or forfeited by virtue of any rights of termination reserved by or vested in the Master Landlord.

2.4. **Automatic Termination.** If the Master Lease terminates for any reason whatsoever, this Sublease shall automatically terminate and the Parties shall thereafter be relieved from all liabilities and obligations under this Sublease, except for liabilities and obligations which expressly survive termination of this Sublease. Subtenant acknowledges and agrees that it has reviewed the Master Lease, is aware of the circumstances upon which the Master Lease may be terminated and hereby assumes all risks associated with the automatic termination of this Sublease because of the termination of the Master Lease.

3. TERM

3.1. **Term of Sublease.** The term of this Sublease shall commence on August 1, 2001 (the "Commencement Date") and continue on a month to month basis expiring on January 31, 2004 (the "Expiration Date"), subject to Section 3.2 below or unless sooner terminated or extended pursuant to the terms of the Sublease.

4. RENT

4.1. **Base Rent.** Throughout the Term, beginning on the Commencement Date, Subtenant shall pay to Sublandlord Five Hundred Dollars (\$500.00) (the "Base Rent") per month. Base Rent shall be paid to the Sublandlord without prior demand and without any deduction, setoff, or counterclaim whatsoever. Base Rent shall be payable on or before the first day of each month, in advance, at the Notice Address of Sublandlord provided in Section 20.1 hereof or such other place as Sublandlord may designate in writing. If the Commencement Date occurs on a date other than the first day of a calendar month, or the Sublease terminates on a day other than the last day of a calendar month, then the monthly payment of Rent for such fractional month shall be prorated based on a thirty (30) day month.

4.2. **Additional Charges.** In addition to Base Rent, Subtenant shall pay any and all real property taxes, possessory interest taxes and other costs, impositions and expenses related to the Premises as provided in Section 4 hereof, plus all other charges related to the Premises otherwise payable by Subtenant to Sublandlord hereunder, including, without limitation, all late charges and default interest attributable to late payments and/or defaults of Subtenant hereunder and all utility charges (together, the "Additional Charges"). Together, Base Rent and Additional Charges shall hereinafter be referred to as the "Rent".

5. TAXES, ASSESSMENTS AND OTHER EXPENSES

5.1. **Taxes and Assessments, Licenses, Permit Fees and Liens.**

(a) **Payment Responsibility.** Subtenant shall pay any and all real and

personal property taxes, including, but not limited to, possessory interest taxes, general and special assessments, excises, licenses, permit fees and other charges and impositions of every description levied on or assessed against the Premises, any Alterations, Subtenant's Personal Property, or Subtenant's use of the Premises or any Alterations during the Term. Subtenant shall make all such payments directly to the charging authority when due and payable and at least ten (10) days prior to delinquency. However, with respect to real property taxes and assessments levied on or assessed against the Premises for which Sublandlord receives the tax bill directly from the taxing authority, Subtenant shall reimburse Sublandlord for payment of such sums immediately upon demand.

(b) **Taxability of Possessory Interest.** Without limiting the foregoing, Subtenant recognizes and agrees that this Sublease may create a possessory interest subject to property taxation and that Subtenant may be subject to the payment of property taxes levied on such interest.

(c) **No Liens.** Subtenant shall not allow or suffer a lien for any taxes payable by Subtenant hereunder to be imposed upon the Premises or upon any equipment or other property located thereon without discharging the same as soon as practicable, and in no event subsequent to delinquency.

(d) **Reporting Information.** Subtenant agrees to provide such information as Sublandlord may request to enable Sublandlord to comply with any possessory interest tax reporting requirements applicable to this Sublease.

5.2. **Other Expenses.** This is a "triple net" Sublease. Accordingly, Subtenant shall be responsible for any and all other charges, costs and expenses related to its use, occupancy, operation or enjoyment of the Premises or any Alterations permitted thereon, including, without limitation, the cost of any utilities, maintenance or services necessary for Subtenant's use.

5.3. **Evidence of Payment.** Subtenant shall, upon Sublandlord's request, furnish to Sublandlord within ten (10) days after the date when any charges are due and payable, official receipts of the appropriate taxing authority or other evidence reasonably satisfactory to Sublandlord, evidencing payment thereof.

6. USE; COVENANTS TO PROTECT PREMISES

6.1. **Subtenant's Permitted Use.** Subtenant may use the Premises as storage space for the Department of Aging and for no other purpose.

6.2. **Subtenant's Access to the Premises.** As provided in Section 30 of the Master Lease, Subtenant will have access to the Premises on normal business hours, Monday through

Friday from 8:30 AM to 5:30 PM, provided however, Subtenant shall coordinate such access with the local representative of Master Landlord.

6.3. Rules and Regulations. Subtenant agrees to adhere to all rules and regulations regarding the Premises attached hereto as Exhibit D, and any additional rules regarding security, ingress, egress, safety and sanitation applicable to the Premises or the Property, as such rules and regulations may be prescribed by Master Landlord or Sublandlord from time to time and which are provided to Subtenant in advance of the enforcement thereof.

6.4. Easements. This Sublease shall be subject to all outstanding easements and rights-of-way for location of any type of facility over, across, in, and upon the Premises or any portion thereof, and to the right of Master Landlord to grant such additional easements and rights-of-way over, across, in and upon the Premises as Master Landlord shall determine to be in the public interest ("Additional Easements"), provided that, as provided in Section 29 of the Master Lease, Master Landlord shall use its best efforts to minimize any interference with Subtenant's operations hereunder caused by the granting of any such Additional Easements and the granting of such Additional Easements shall be conditioned on the assumption by the grantee thereof of liability to Subtenant for such damages as Subtenant shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights thereunder. There is hereby reserved to the holders of such Additional Easements as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any federal, state or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over the Premises as shall be necessary for the performance of their duties with regard to such facilities. To the best knowledge of the Mayor's Treasure Island Project Office, there are no existing Additional Easements or other encumbrances which would materially interfere with Subtenant's use of the Premises.

6.5. No Interference with Navy Operations. Subtenant shall not conduct operations, nor make any Alterations (as defined below), that would interfere with or otherwise restrict Master Landlord's operations or environmental clean-up or restoration actions by the Master Landlord, Sublandlord, the Environmental Protection Agency, the State of California or their contractors. Environmental clean-up, restoration or testing activities by these Parties shall take priority over the Subtenant's use of the Premises in the event of any conflict, provided, however, in such event, Master Landlord and Sublandlord shall use their best efforts to minimize any disruption of Subtenant's operation.

6.6. No Unlawful Uses, Nuisances or Waste. Without limiting the foregoing, Subtenant shall not use, occupy or permit the use or occupancy of any of the Premises in any unlawful manner or for any illegal purpose, or permit any offensive, noisy or hazardous use or any waste on or about the Premises. Subtenant shall take all precautions to eliminate any nuisances or hazards relating to its activities on or about the Premises. Subtenant shall not

conduct any business, place any sales display, or advertise in any manner in areas outside the Premises or on or about the Property or make or allow any of Subtenant's family, domestic partners or guests to make any loud or boisterous noise, or engage in any other objectionable behavior. Subtenant further agrees not to commit, suffer, or permit any waste or nuisance in, on or about the Premises.

7. ALTERATIONS

7.1. Alterations. Subtenant shall not construct, install, make or permit to be made any alterations, installations or additions ("Alterations") in, to or about the Premises, without Sublandlord's prior written consent in each instance, which consent may given or withheld in Sublandlord's sole and absolute discretion. Subject to Sublandlord's consent as provided above, any permitted Alterations shall be done at Subtenant's sole expense (i) in strict accordance with plans and specifications approved in advance by Sublandlord in writing, (ii) by duly licensed and bonded contractors or mechanics approved by Sublandlord, (iii) in a good and professional manner, (iv) in strict compliance with all Laws, and (v) subject to all other conditions that Sublandlord may reasonably impose. In no event shall the construction, installation or the making of any Alterations impair the use or operation of the Property, or any portion thereof, or Sublandlord's or Master Landlord's access thereto. Prior to the commencement of any work on the Premises to construct any permitted Alterations, Subtenant, at its sole expense, shall procure all required permits and approvals and shall promptly upon receipt deliver copies of all such documents to Sublandlord. No material change from the plans and specifications approved by Sublandlord may be made without Sublandlord's prior consent. Sublandlord and Sublandlord's Agents shall have the right to inspect the course of such construction at all times. WITHOUT LIMITING THE FOREGOING, SUBTENANT ACKNOWLEDGES AND AGREES THAT AS A RESULT OF ASBESTOS AND LEAD BASED PAINT HAZARDS, PAINTING, SCRAPING OR SANDING OF ANY PORTION OF THE PREMISES IS STRICTLY PROHIBITED.

7.2. Ownership of Alterations. Any Alterations constructed on or affixed to the Premises by or on behalf of Subtenant pursuant to the terms and limitations of Section 7.1 above shall be and remain Subtenant's property during the Term. Upon the termination of this Sublease, Subtenant shall remove all such Alterations from the Premises in accordance with the provisions of Section 18 hereof, unless Sublandlord, at its sole option and without limiting any of the provisions of Section 7.1 above, requires as a condition to approval of any such Alterations that such Alterations remain on the Premises following the expiration or termination of this Sublease or unless Sublandlord as a condition of such approval reserves the right to elect by notice to Subtenant not less than fifteen (15) days prior to the end of the Term to have such Alterations remain on the Premises.

7.3. Subtenant's Personal Property. All furniture, furnishings and articles of

movable personal property and equipment installed in the Premises by Subtenant that can be removed without structural or other material damage to the Premises (all of which are herein called "Subtenant's Personal Property") shall be and remain the property of Subtenant and may be removed by it subject to the provisions of Section 18 hereof.

7.4. Sublandlord's Alterations of the Building and Building Systems. Sublandlord reserves the right at any time to make alterations, additions, repairs, deletions or improvements to the common areas or any other part of the Building or the Building Systems, provided that any such alterations or additions shall not materially adversely affect the functional utilization of the Premises for purposes stated herein.

8. REPAIRS AND MAINTENANCE

8.1. Subtenant Responsible for Maintenance and Repair. Subtenant assumes full and sole responsibility for the condition, operation, repair and maintenance and management of the Premises from and after the Commencement Date and shall keep the Premises in good condition and repair. Sublandlord shall not be responsible for the performance of any repairs, changes or alterations to the Premises, nor shall Sublandlord be liable for any portion of the cost thereof. Subtenant shall make all repairs and replacements, interior and exterior, structural as well as non-structural, ordinary as well as extraordinary, foreseen and unforeseen, which may be necessary to maintain the Premises at all times in clean, safe, attractive and sanitary condition and in good order and repair, to Sublandlord's and Master Landlord's reasonable satisfaction, provided, however, that neither Subtenant nor Sublandlord shall be required to make structural repairs or Alterations to correct conditions affecting the Premises existing prior to the Commencement Date. If any portion of the Premises is damaged by any activities conducted by Subtenant or Subtenant's Agents or Subtenant's Invitees hereunder, Subtenant shall immediately, at its sole cost, repair all such damage and restore the Premises to its previous condition.

8.2. Trash. Tenant shall deposit all trash into designated containers in the Building in compliance with the Rules and Regulations attached hereto as Exhibit D. Subtenant shall abide by all rules established by Sublandlord or Master Landlord for the handling of trash.

8.3. No Right to Repair and Deduct. Subtenant expressly waives the benefit of any existing or future Laws or judicial or administrative decision that would otherwise permit Subtenant to make repairs or replacements at Sublandlord's expense, or to terminate this Sublease because of Sublandlord's failure to keep the Premises or any part thereof in good order, condition or repair, or to abate or reduce any of Subtenant's obligations hereunder on account of the Premises or any part thereof being in need of repair or replacement. Without limiting the foregoing, Subtenant expressly waives the provisions of California Civil Code Sections 1932, 1941 and 1942 or any similar Laws with respect to any right of Subtenant to terminate this Sublease and with respect to any obligations of Sublandlord hereunder or and any right of Subtenant to make repairs or replacements and deduct the cost thereof from Rent.

9. LIENS

Subtenant shall keep the Premises free from any liens arising out of any work performed, material furnished or obligations incurred by or for Subtenant. In the event Subtenant does not, within five (5) days following the imposition of any such lien, cause the lien to be released of record by payment or posting of a proper bond, Sublandlord shall have in addition to all other remedies provided herein and by law or equity the right, but not the obligation, to cause the same to be released by such means as it shall deem proper, including, but not limited to, payment of the claim giving rise to such lien. All such sums paid by Sublandlord and all expenses it incurs in connection therewith (including, without limitation, reasonable attorneys' fees) shall be payable to Sublandlord by Subtenant upon demand. Sublandlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Sublandlord deems proper for its protection and protection of the Premises from mechanics' and materialmen's liens. Subtenant shall give Sublandlord at least fifteen (15) days' prior written notice of the commencement of any repair or construction on any of the Premises.

10. COMPLIANCE WITH LAWS

10.1. Compliance with Laws. Subtenant shall promptly, at its sole expense, maintain the Premises and Subtenant's use and operations thereon in strict compliance at all times with all present and future Laws, whether foreseen or unforeseen, ordinary as well as extraordinary, provided however, that Subtenant shall not be required to make repairs or structural changes to the Premises required solely to correct conditions affecting the Premises existing prior to the Commencement Date or not related to Subtenant's use of the Premises, unless the requirement for such changes is imposed as a result of any Alterations or use of the Premises made or requested to be made by Subtenant. Such Laws shall include, without limitation, all Laws relating to health and safety and disabled accessibility including, without limitation, the Americans with Disabilities Act, 42 U.S.C.S. §§ 12101 et seq. and Title 24 of the California Code of Regulations, all present and future Environmental Laws (as defined in this Sublease below). No occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, and however extraordinary, shall give Subtenant any right to seek redress against Sublandlord for failing to comply with any Laws. Subtenant waives any rights now or hereafter conferred upon it by any existing or future Law to compel Sublandlord to make any repairs to comply with any such Laws, on account of any such occurrence or situation.

10.2. Regulatory Approvals.

(a) **Responsible Party.** Subtenant understands and agrees that Subtenant's use of the Premises and construction of Alterations permitted hereunder may require authorizations, approvals or permits from governmental regulatory agencies with jurisdiction over the Premises. Subtenant shall be solely responsible for obtaining any and all such

regulatory approvals, including without limitation any liquor permits or approvals. Subtenant shall not seek any regulatory approval without first obtaining the written consent of Sublandlord. Subtenant shall bear all costs associated with applying for, obtaining and maintaining any necessary or appropriate regulatory approval and shall be solely responsible for satisfying any and all conditions imposed by regulatory agencies as part of a regulatory approval. Any fines or penalties levied as a result of Subtenant's failure to comply with the terms and conditions of any regulatory approval shall be immediately paid and discharged by Subtenant, and Sublandlord shall have no liability, monetary or otherwise, for any such fines or penalties. Subtenant shall indemnify, protect, defend and hold harmless forever ("Indemnify") the Sublandlord and City, but not limited to, all of their respective officers, directors, employees, agents, affiliates, subsidiaries, licensees, contractors, boards, commissions, departments, agencies and other subdivisions and each of the persons acting by, through or under each of them, and their respective heirs, legal representatives, successors and assigns, and each of them (the "Indemnified Parties") against any and all claims, demands, losses, liabilities, damages, liens, injuries, penalties, fines, lawsuits and other proceedings, judgments and awards and costs and expenses, including, without limitation, reasonable attorneys' and consultants' fees and costs ("Losses") arising in connection with Subtenant's failure to obtain or comply with the terms and conditions of any regulatory approval.

10.3. Compliance with Sublandlord's Risk Management Requirements. Subtenant shall not do anything, or permit anything to be done, in or about the Premises or any Alterations permitted hereunder that would create any unusual fire risk, and shall take commercially reasonable steps to protect Sublandlord from any potential premises liability. Subtenant shall faithfully observe, at its expense, any and all reasonable requirements of Sublandlord's Risk Manager with respect thereto and with the requirements of any policies of commercial general, all risk property or other policies of insurance at any time in force with respect to the Premises and any Alterations as required hereunder.

11. ENCUMBRANCES

11.1. Encumbrance By Subtenant. Notwithstanding anything to the contrary contained in this Sublease, Subtenant shall not under any circumstances whatsoever create any mortgage, deed of trust, assignment of rents, fixture filing, security agreement, or similar security instrument, or other lien or encumbrance or assignment or pledge of an asset as security in any manner against the Premises or Sublandlord's or Subtenant's interest under this Sublease.

12. DAMAGE OR DESTRUCTION

12.1. Damage or Destruction to the Premises. In the case of damage to or destruction of the Premises by earthquake, fire or any other casualty, not caused by Subtenant or Subtenant's Agents or Subtenant's Invitees, whether insured or uninsured, which prevents Subtenant from operating the Premises for the purposes stated herein and the cost of repairing

such damage exceeds Ten Thousand Dollars (\$10,000), either Party may terminate this Sublease upon thirty (30) days prior written notice and upon any such termination Subtenant shall surrender the Premises in accordance with Section 18 (except for damage caused by the casualty pursuant to which the Sublease may be terminated under this Section 12.1) and both Parties shall be relieved of any liability for such termination or for repairing such damage. If neither Party terminates this Sublease as provided in this Section 12.1, Subtenant shall, at its sole cost, promptly restore, repair, replace or rebuild the Premises to the condition the Premises were in prior to such damage or destruction, subject to any changes made in strict accordance with the requirements of Section 7.1 above. Under no circumstances shall Sublandlord have any obligation to repair, replace or rebuild the Premises in the event of such a casualty.

12.2. No Abatement in Rent. In the event of any damage or destruction to the Premises, and if neither party terminates this Sublease as provided in Section 12.1 above, there shall be no abatement in the Rent payable hereunder.

12.3. Waiver. The Parties understand and agree that the foregoing provisions of this Section are intended to govern fully the rights and obligations of the Parties in the event of damage or destruction to the Premises or Alterations, and Sublandlord and Subtenant each hereby waives and releases any right to terminate this Sublease in whole or in part under Sections 1932.2 and 1933.4 of the Civil Code of California or under any similar Laws now or hereafter in effect, to the extent such rights are inconsistent with the provisions hereof.

13. ASSIGNMENT AND SUBLETTING

13.1. Restriction on Assignment and Subletting. Subtenant shall not directly or indirectly (including, without limitation, by merger, acquisition or other transfer of any controlling interest in Subtenant), voluntarily or by operation of Law, sell, assign, encumber, pledge or otherwise transfer any part of its interest in or rights with respect to the Premises, any Alterations or its interest in this Sublease, or permit any portion of the Premises to be occupied by anyone other than itself, or sublet any portion of the Premises, without Sublandlord's prior written consent in each instance, which Sublandlord may grant or withhold in its sole and absolute discretion.

14. DEFAULT; REMEDIES

14.1. Events of Default. Any of the following shall constitute an event of default ("Event of Default") by Subtenant hereunder:

(a) **Rent.** Any failure to pay Rent or other sums, including sums due for utilities, within five (5) days after such sums are due;

(b) **Covenants, Conditions and Representations.** Any failure to perform or

comply with any other covenant, condition or representation made under this Sublease, provided Subtenant shall have a period of ten (10) days from the date of written notice from Sublandlord of such failure within which to cure such default under this Sublease, or, if such default is not capable of cure within such 10-day period, Subtenant shall have a reasonable period to complete such cure if Subtenant promptly undertakes action to cure such default within such 10-day period and thereafter diligently prosecutes the same to completion and uses its best efforts to complete such cure within sixty (60) days after the receipt of notice of default from Sublandlord.

(c) **Vacation or Abandonment.** Any abandonment of the Premises for more than fourteen (14) consecutive days; and

(d) **Bankruptcy.** The appointment of a receiver to take possession of all or substantially all of the assets of Subtenant, or an assignment by Subtenant for the benefit of creditors, or any action taken or suffered by Subtenant under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted.

14.2. Remedies. Upon the occurrence of an Event of Default by Subtenant, Sublandlord shall have the following rights and remedies in addition to all other rights and remedies available to Sublandlord at Law or in equity:

(a) **Terminate Sublease and Recover Damages.** The rights and remedies provided by law California Civil Code Section 1951.2 (damages on termination for breach), including, but not limited to, the right to terminate Subtenant's right to possession of the Premises and to recover the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of rental loss for the same period that Subtenant proves could be reasonably avoided, as computed pursuant to subsection (b) of such Section 1951.2. Sublandlord's efforts to mitigate the damages caused by Subtenant's breach of this Sublease shall not waive Sublandlord's rights to recover unmitigated damages upon termination.

(b) **Appointment of Receiver.** The right to have a receiver appointed for Subtenant upon application by Sublandlord to take possession of the Premises and to apply any rental collected from the Premises and to exercise all other rights and remedies granted to Sublandlord pursuant to this Sublease.

14.3. Sublandlord's Right to Cure Subtenant's Defaults. If Subtenant defaults in the performance of any of its obligations under this Sublease, then Sublandlord may at any time thereafter with three (3) days prior written notice (except in the event of an emergency as determined by Sublandlord), remedy such Event of Default for Subtenant's account and at Subtenant's expense. Subtenant shall pay to Sublandlord, as Additional Charges, promptly upon demand, all sums expended by Sublandlord, or other costs, damages, expenses or liabilities

incurred by Sublandlord, including, without limitation, reasonable attorneys' fees, in remedying or attempting to remedy such Event of Default. Subtenant's obligations under this Section shall survive the termination of this Sublease. Nothing herein shall imply any duty of Sublandlord to do any act that Subtenant is obligated to perform under any provision of this Sublease, and Sublandlord's cure or attempted cure of Subtenant's Event of Default shall not constitute a waiver of Subtenant's Event of Default or any rights or remedies of Sublandlord on account of such Event of Default.

15. RELEASE AND WAIVER OF CLAIMS; INDEMNIFICATION

15.1. Release and Waiver of Claims. Subtenant, on behalf of itself and Subtenant's Agents, covenants and agrees that the Indemnified Parties shall not be responsible for or liable to Subtenant for, and, to the fullest extent allowed by any Laws, Subtenant hereby waives all rights against the Indemnified Parties and releases them from, any and all Losses, including, but not limited to, incidental and consequential damages, relating to any injury, accident or death of any person or loss or damage to any property, in or about the Premises, from any cause whatsoever, including without limitation, partial or complete collapse of the Building due to an earthquake or subsidence, except only to the extent such Losses are caused exclusively by the gross negligence or willful misconduct of the Indemnified Parties (except as provided in Section 15.1(e) below). Without limiting the generality of the foregoing:

(a) Subtenant expressly acknowledges and agrees that the Rent payable hereunder does not take into account any potential liability of the Indemnified Parties for any consequential or incidental damages including, but not limited to, lost profits arising out of disruption to Subtenant's uses hereunder. Sublandlord would not be willing to enter into this Sublease in the absence of a complete waiver of liability for consequential or incidental damages due to the acts or omissions of the Indemnified Parties, and Subtenant expressly assumes the risk with respect thereto. Accordingly, without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action for consequential and incidental damages and covenants not to sue the Indemnified Parties for such damages arising out of this Sublease or the uses authorized hereunder, including, without limitation, any interference with uses conducted by Subtenant pursuant to this Sublease regardless of the cause.

(b) Without limiting any indemnification obligations of Subtenant or other waivers contained in this Sublease and as a material part of the consideration for this Sublease, Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all claims, demands, rights, and causes of action against, and covenants not to sue the Indemnified Parties under any present or future Laws, statutes, or regulations, including, but not limited to, any claim for inverse condemnation or the payment of just compensation under the law of eminent domain, or otherwise at equity, in the event that Sublandlord terminates this Sublease because of such

claim for inverse condemnation or eminent domain.

(c) As part of Subtenant's agreement to accept the Premises in its "As Is" condition as provided herein, and without limiting such agreement and any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the physical or environmental condition of the Premises and any related improvements or any Laws or regulations applicable thereto or the suitability of the Premises for Subtenant's intended use.

(d) Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated, and Subtenant fully RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses and any and all claims, demands or rights against any of the Indemnified Parties under any present and future Laws, including, without limitation, any and all claims for relocation benefits or assistance from the Indemnified Parties under federal and state relocation assistance laws.

(e) Without limiting any other waiver contained herein, Subtenant on behalf of itself and its successors and assigns, hereby waives its right to recover from, and forever RELEASES, WAIVES AND DISCHARGES, the Indemnified Parties from any and all Losses, whether direct or indirect, known or unknown, foreseen and unforeseen, that may arise on account of or in any way be connected with the Indemnified Parties decision to Sublease the Premises to the Subtenant, regardless of whether or not such decision is or may be determined to be an act of gross negligence or willful misconduct of the Indemnified Parties.

(f) Subtenant covenants and agrees never to file, commence, prosecute or cause to be filed, commenced or prosecuted against the Indemnified Parties any claim, action or proceeding based upon any claims, demands, causes of action, obligations, damages, losses, costs, expenses or liabilities of any nature whatsoever encompassed by the waivers and releases set forth in this Section 15.1.

(g) In executing these waivers and releases, Subtenant has not relied upon any representation or statement other than as expressly set forth herein.

(h) Subtenant had made such investigation of the facts pertaining to these waivers and releases it deems necessary and assumes the risk of mistake with respect to such facts. These waivers and releases are intended to be final and binding on Subtenant regardless of any claims of mistake.

(i) In connection with the foregoing releases, Subtenant acknowledges that it is familiar with Section 1542 of the California Civil Code, which reads:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Subtenant acknowledges that the releases contained herein includes all known and unknown, disclosed and undisclosed, and anticipated and unanticipated claims. Subtenant realizes and acknowledges that it has agreed upon this Sublease in light of this realization and, being fully aware of this situation, it nevertheless intends to waive the benefit of Civil Code Section 1542, or any statute or other similar law now or later in effect. The waivers and releases contained herein shall survive any termination of this Sublease.

15.2. Subtenant's Indemnity. Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties from and against any and all Losses, expressly including but not limited to, any Losses arising out of a partial or complete collapse of the Building due to an earthquake or subsidence, incurred in connection with or arising directly or indirectly, in whole or in part, out of: (a) any damage to or destruction of any property owned by or in the custody of Subtenant or Subtenant's Agents or Subtenant's Invitees, (b) any accident, injury to or death of a person, including, without limitation, Subtenant's Agents and Subtenant's Invitees, howsoever or by whomsoever caused, occurring in, on or about the Premises (c) any default by Subtenant in the observation or performance of any of the terms, covenants or conditions of this Sublease to be observed or performed on Subtenant's part; (d) the use, occupancy, conduct or management, or manner of use, occupancy, conduct or management by Subtenant, Subtenant's Agents or Subtenant's Invitees or any person or entity claiming through or under any of them, of the Premises or any Alterations; (e) the condition of the Premises, including the Building, (f) any construction or other work undertaken by Subtenant on or about the Premises whether before or during the Term of this Sublease; or (g) any acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees, or of any trespassers, in, on or about the Premises or any Alterations; except to the extent that such Indemnity is void or otherwise unenforceable under any applicable Laws in effect on or validly retroactive to the date of this Sublease and further except only to the extent such Losses are caused by the gross negligence and intentional wrongful acts and omissions of the Indemnified Parties. Notwithstanding the foregoing, Subtenant's obligations to indemnify the Indemnified Parties under this Section 15.2 shall remain in full force and effect regardless of whether or not the Indemnified Parties' decision to Sublease the Premises to the Subtenant, given the seismic condition of the property, is or may be determined to be an act of gross negligence or willful misconduct of the Indemnified Parties. The foregoing Indemnity shall include, without limitation, reasonable fees of attorneys, consultants and experts and related costs and Sublandlord's costs of investigating any Loss. Subtenant specifically acknowledges and agrees that it has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within this indemnity provision even if such allegation is or may be

groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter. Subtenant's obligations under this Section shall survive the expiration or sooner termination of this Sublease. Notwithstanding anything contained herein, to the extent such Losses are not covered by insurance required herein and subject to Section 12.1 above, Subtenant shall have no obligation to repair, restore or reconstruct the Premises (or to pay for the same) in the event the Premises are damaged or destroyed by an earthquake or subsidence or by any other uninsured casualty.

16. INSURANCE

16.1. 16.1 Subtenant's Insurance. Sublandlord acknowledges that Subtenant maintains a program of self-insurance and agrees that Sublandlord shall not be required to carry any third-party comprehensive general liability insurance or other insurance with respect to this Sublease. Subtenant assumes the risk of damage to any of its personal property, except to the extent caused by the negligence or willful misconduct of Sublandlord.

17. ACCESS BY SUBLANDLORD

Access to Premises by Sublandlord.

(a) **General Access.** Sublandlord reserves for itself and Sublandlord's Agents, the right to enter the Premises and any portion thereof at all reasonable times upon not less than twenty-four (24) hours oral or written notice to Subtenant (except in the event of an emergency) for any purpose.

(b) **Emergency Access.** In the event of any emergency, as determined by Sublandlord, Sublandlord may, at its sole option and without notice, enter the Premises and alter or remove any Alterations or Subtenant's Personal Property on or about the Premises. Sublandlord shall have the right to use any and all means Sublandlord considers appropriate to gain access to any portion of the Premises in an emergency. In such case, Sublandlord shall not be responsible for any damage or injury to any such property, nor for the replacement of any such property and any such emergency entry shall not be deemed to be a forcible or unlawful entry onto or a detainer of, the Premises, or an eviction, actual or constructive, of Subtenant from the Premises or any portion thereof.

(c) **No Liability.** Sublandlord shall not be liable in any manner, and Subtenant hereby waives any claims, for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Sublandlord's entry onto the Premises, except damage resulting directly and exclusively from the gross negligence or willful misconduct of Sublandlord or Sublandlord's Agents and not contributed to by the acts, omissions or negligence of Subtenant, Subtenant's Agents or Subtenant's Invitees.

16.2. Access to Premises by Master Landlord. Subtenant acknowledges and agrees that Master Landlord shall have all of the rights of access to the Premises described in the Master Lease.

17. SURRENDER

17.1. Surrender of the Premises. Upon the termination of this Sublease, Subtenant shall surrender to Sublandlord the Premises in the same condition as of the Commencement Date, ordinary wear and tear excepted, and free and clear of all liens, easements and other Encumbrances created or suffered by, through or under Subtenant. On or before any termination hereof, Subtenant shall, at its sole cost, remove any and all of Subtenant's Personal Property from the Premises and demolish and remove any and all Alterations from the Premises (except for any Alterations that Sublandlord agrees are to remain part of the Premises pursuant to the provisions of Section 7.3 above). In addition, Subtenant shall, at its sole expense, repair any damage to the Premises resulting from the removal of any such items and restore the Premises to their condition immediately prior to the presence of any Alterations. In connection therewith, Subtenant shall obtain any and all necessary permits and approvals, including, without limitation, any environmental permits, and execute any manifests or other documents necessary to complete the demolition, removal or restoration work required hereunder. Subtenant's obligations under this Section shall survive the termination of this Sublease. Any items of Subtenant's Personal Property remaining on or about the Premises after the termination of this Sublease may, at Sublandlord's option and after thirty (30) days written notice to Subtenant, be deemed abandoned and in such case Sublandlord may dispose of such property in accordance with Section 1980 et seq. of the California Civil Code or in any other manner allowed by Law.

If Subtenant fails to surrender the Premises to Sublandlord upon the termination of this Sublease as required by this Section, Subtenant shall Indemnify Sublandlord against all Losses resulting therefrom, including, without limitation, Losses made by a succeeding Subtenant resulting from Subtenant's failure to surrender the Premises.

18. HAZARDOUS MATERIALS

18.1. No Hazardous Materials. Subtenant covenants and agrees that neither Subtenant nor any of Subtenant's Agents or Subtenant's Invitees shall cause or permit any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment, including, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also commonly known as the "Superfund" law), as amended, (42 U.S.C. Sections 9601 et seq.) or pursuant to Section 25281 of the California Health & Safety Code; any "hazardous waste" listed pursuant to Section 25140 of the California Health & Safety Code; any asbestos and asbestos

containing materials whether or not such materials are part of the structure of any existing improvements on the Premises, or are naturally occurring substances on, in or about the Premises; and petroleum, including crude oil or any fraction thereof, and natural gas or natural gas liquids ("Hazardous Material") to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or transported to or from the Premises without the prior written approval of Sublandlord, which approval may be withheld in Sublandlord's sole and absolute discretion. Subtenant shall immediately notify Sublandlord if and when Subtenant learns or has reason to believe there has been any release of Hazardous Material in, on or about the Premises. Sublandlord may from time to time request Subtenant to provide adequate information for Sublandlord to determine that any Hazardous Material permitted hereunder is being handled in compliance with all applicable federal, state or local Laws or policies relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage) or to human health and safety, industrial hygiene or environmental conditions in, on, under or about the Premises and any other property, including, without limitation, soil, air and groundwater conditions ("Environmental Laws"), and Subtenant shall promptly provide all such information. Sublandlord and Sublandlord's Agents shall have the right to inspect the Premises for Hazardous Material and compliance with the provisions hereof at all reasonable times upon reasonable advance oral or written notice to Subtenant (except in the event of an emergency). Without limiting the foregoing, Subtenant acknowledges and agrees that it shall be bound by and will comply with the environmental protection provisions provided for in Section 13 of the Master Lease.

18.2. Subtenant's Environmental Indemnity. If Subtenant breaches any of its obligations contained in Section 19.1 above, or, if any act or omission or negligence of Subtenant or any of Subtenant's Agents or Subtenant's Invitees results in any spilling, leaking, pumping, pouring, emitting, discharging, injecting, escaping, leaching or dumping ("Release") of Hazardous Material in, on, under or about the Premises or the Property, without limiting Subtenant's general Indemnity contained in Section 15.2 above, Subtenant, on behalf of itself and Subtenant's Agents, shall Indemnify the Indemnified Parties, and each of them, from and against all any and all enforcement, investigation, remediation or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Environmental Laws together with any and all Losses made or threatened by any third party against Sublandlord, Sublandlord's Agents, or the Premises, relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, Release or discharge of any Hazardous Materials, including, without limitation, Losses based in common law, investigation and remediation costs, fines, natural resource damages, damages for decrease in value of the Premises, the loss or restriction of the use or any amenity of the Premises and attorneys' fees and consultants' fees and experts' fees and costs ("Hazardous Materials Claims") arising during or after the Term of this Sublease and relating to such Release. The foregoing Indemnity includes, without limitation, all costs associated with the investigation and remediation of Hazardous Material and with the restoration of the Premises or the Property to its prior condition including, without limitation, fines and penalties imposed by regulatory agencies, natural resource damages

and losses, and revegetation of the Premises or other Sublandlord property. Without limiting the foregoing, if Subtenant or any of Subtenant's Agents or Subtenant's Invitees, causes or permits the Release of any Hazardous Materials in, on, under or about the Premises or the Property, Subtenant shall, immediately, at no expense to Sublandlord, take any and all appropriate actions to return the Premises or other Sublandlord property affected thereby to the condition existing prior to such Release and otherwise investigate and remediate the Release in accordance with all Environmental Laws. Subtenant shall provide Sublandlord with written notice of and afford Sublandlord a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, permit, approvals, or other compromise or proceeding involving Hazardous Material.

18.3. Acknowledgment of Receipt of EBS and FOSL Reports. Subtenant hereby acknowledges for itself and Subtenant's Agents that, prior to the execution of this Sublease, it has received and reviewed the Environmental Baseline Survey ("EBS") and the Finding of Suitability to Lease ("FOSL") described in Section 7 of the Master Lease.

19. GENERAL PROVISIONS

19.1. Notices. Except as otherwise expressly provided in this Sublease, any notice given hereunder shall be effective only in writing and given by delivering the notice in person, or by sending it first class mail or certified mail with a return receipt requested or reliable commercial overnight courier, return receipt requested, with postage prepaid as follows:

Notice Address of Sublandlord

Treasure Island Development Authority
Treasure Island Project Office
401 Palm Avenue
Building 1, Room 237
Treasure Island
Attn: Executive Director
Fax No.: 415-274-0299

with a copy to:

Office of the City Attorney
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94103
Attn: Donnell Choy
Fax No.: (415) 554-4736

Notice Address of Subtenant:

San Francisco Department of Aging

25 Van Ness Avenue, Suite 650
San Francisco, CA 94102
Attn: Larry Ross
Phone No. (415) 864-6051
Fax No. (415) 864-3991

Department of Real Estate
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102
Attn: Julian Sutherland
Phone No.
Fax No.

Notice Address of Master Landlord: Commanding Officer (Code 24)
Engineering Field Activity West
Naval Facilities Engineering Command
900 Commodore Drive
San Bruno, California 94066

Any Party hereunder may designate a new address for notice purposes hereunder at least ten (10) days prior to the effective date of such change. Any notice hereunder shall be deemed to have been given two (2) days after the date when it is mailed if sent by first class or certified mail, one day after the date it is made, if sent by commercial overnight carrier, or upon the date personal delivery is made, and any refusal by either Party to accept the attempted delivery of any notice, if such attempted delivery is in compliance with this Section 20.1 and applicable Laws, shall be deemed receipt of such notice..

19.2. Security Deposit. Subtenant shall pay to Sublandlord upon execution of this Sublease a security deposit in the amount of One Thousand Dollars (\$1,000) for security for the faithful performance of all terms, covenants and conditions of this Sublease. Subtenant agrees that Sublandlord may (but shall not be required to) apply the security deposit in whole or in part to remedy any damage to the Premises caused by Subtenant, Subtenant's Agents or Subtenant's Invitees, or any failure of Subtenant to perform any other terms, covenants or conditions contained in this Sublease, without waiving any of Sublandlord's other rights and remedies hereunder or at Law or in equity. Should Sublandlord use any portion of the security deposit to cure any Event of Default by Subtenant hereunder, Subtenant shall immediately replenish the security deposit to the original amount, and Subtenant's failure to do so within five (5) days of Sublandlord's notice shall constitute a material Event of Default under this Sublease. Sublandlord's obligations with respect to the security deposit are solely that of debtor and not trustee. Sublandlord shall not be required to keep the security deposit separate from its general funds, and Subtenant shall not be entitled to any interest on such deposit. The amount of the

security deposit shall not be deemed to limit Subtenant's liability for the performance of any of its obligations under this Sublease. To the extent that Sublandlord is not entitled to retain or apply the security deposit pursuant to this Section 20.3, Sublandlord shall return such security deposit to Sublandlord within forty-five (45) days of the termination of this Sublease.

19.3. No Implied Waiver. No failure by Sublandlord to insist upon the strict performance of any obligation of Subtenant under this Sublease or to exercise any right, power or remedy arising out of a breach thereof, irrespective of the length of time for which such failure continues, no acceptance of full or partial Rent during the continuance of any such breach, and no acceptance of the keys to or possession of the Premises prior to the expiration of the Term by any Agent of Sublandlord, shall constitute a waiver of such breach or of Sublandlord's right to demand strict compliance with such term, covenant or condition or operate as a surrender of this Sublease. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver. One or more written waivers of a default or the performance of any provision hereof shall not be deemed to be a waiver of a subsequent default or performance. The consent of Sublandlord given in any instance under the terms of this Sublease shall not relieve Subtenant of any obligation to secure the consent of Sublandlord in any other or future instance under the terms of this Sublease.

19.4. Amendments. Neither this Sublease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the Parties hereto.

19.5. Authority. If Subtenant signs as a corporation, a partnership or a limited liability company, each of the persons executing this Sublease on behalf of Subtenant does hereby covenant and warrant that Subtenant is a duly authorized and existing entity, that Subtenant has and is qualified to do business in California, that Subtenant has full right and authority to enter into this Sublease, and that each and all of the persons signing on behalf of Subtenant are authorized to do so. Upon Sublandlord's request, Subtenant shall provide Sublandlord with evidence reasonably satisfactory to Sublandlord confirming the foregoing representations and warranties. Without limiting the generality of the foregoing, Subtenant represents and warrants that it has full power to make the waivers and releases, indemnities and the disclosure set forth herein, and that it has received independent legal advice from its attorney as to the advisability of entering into a sublease containing those provisions and their legal effect.

19.6. Joint and Several Obligations. The word "Subtenant" as used herein shall include the plural as well as the singular. If there is more than one Subtenant, the obligations and liabilities under this Sublease imposed on Subtenant shall be joint and several.

19.7. Interpretation of Sublease. The captions preceding the articles and sections of this Sublease and in the table of contents have been inserted for convenience of reference only

and such captions shall in no way define or limit the scope or intent of any provision of this Sublease. This Sublease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the Parties, without any presumption against the party responsible for drafting any part of this Sublease. Provisions in this Sublease relating to number of days shall be calendar days, unless otherwise specified, provided that if the last day of any period to give notice, reply to a notice or to undertake any other action occurs on a Saturday, Sunday or a bank or Sublandlord holiday, then the last day for undertaking the action or giving or replying to the notice shall be the next succeeding business day. Use of the word "including" or similar words shall not be construed to limit any general term, statement or other matter in this Sublease, whether or not language of non-limitation, such as "without limitation" or similar words, are used. Unless otherwise provided herein, whenever the consent of Sublandlord is required to be obtained by Subtenant hereunder, Sublandlord may give or withhold such consent in its sole and absolute discretion.

19.8. Successors and Assigns. Subject to the provisions of Section 13, the terms, covenants and conditions contained in this Sublease shall bind and inure to the benefit of Sublandlord and Subtenant and, except as otherwise provided herein, their personal representatives and successors and assigns; provided, however, that upon any transfer by Sublandlord (or by any subsequent Sublandlord) of its interest in the Premises as lessee, including any transfer by operation of Law, Sublandlord (or any subsequent Sublandlord) shall be relieved from all subsequent obligations and liabilities arising under this Sublease subsequent to such transfer.

19.9. Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the Sublease contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes a claim shall be responsible for such commission or fee and shall Indemnify the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Sublease.

19.10. Severability. If any provision of this Sublease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Sublease shall be valid and be enforceable to the fullest extent permitted by Law.

19.11. Governing Law. This Sublease shall be construed and enforced in accordance

with the Laws of the State of California and the federal government.

19.12. Entire Agreement. This instrument (including the exhibits hereto, which are made a part of this Sublease) contains the entire agreement between the Parties and supersedes all prior written or oral negotiations, discussions, understandings and agreements. The Parties further intend that this Sublease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts of this Sublease and any changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Sublease. Subtenant hereby acknowledges that neither Sublandlord nor Sublandlord's Agents have made any representations or warranties with respect to the Premises or this Sublease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Subtenant by implication or otherwise unless expressly set forth herein. Notwithstanding the foregoing, the Parties shall make a good faith effort to negotiate mutually acceptable changes to this Sublease, if any, within ninety (90) days of the date hereof, provided however, that such changes, if any, shall be subject to the approval of the Master Landlord.

19.13. Attorneys' Fees. In the event that either Sublandlord or Subtenant fails to perform any of its obligations under this Sublease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Sublease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees.

19.14. Time of Essence. Time is of the essence with respect to all provisions of this Sublease in which a definite time for performance is specified.

19.15. Cumulative Remedies. All rights and remedies of either party hereto set forth in this Sublease shall be cumulative, except as may otherwise be provided herein.

19.16. Survival of Indemnities. Termination of this Sublease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Sublease, nor shall it affect any provision of this Sublease that expressly states it shall survive termination hereof. Subtenant specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Sublease, Subtenant has an immediate and independent obligation to defend Sublandlord and the other Indemnified Parties from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to Subtenant by Sublandlord and continues at all times thereafter.

19.17. Relationship of Parties. Sublandlord is not, and none of the provisions in this Sublease shall be deemed to render Sublandlord, a partner in Subtenant's business, or joint venturer or member in any joint enterprise with Subtenant. This Sublease is not intended nor

shall it be construed to create any third party beneficiary rights in any third party, unless otherwise expressly provided. The granting of this Sublease by Sublandlord does not constitute authorization or approval by Sublandlord of any activity conducted by Subtenant on, in or relating to the Premises.

19.18. Recording. Subtenant agrees that it shall not record this Sublease nor any memorandum or short form hereof in the official records of any county.

19.19. Non-Liability of Indemnified Parties' officials, employees and Agents. No elective or appointive board, commission, member, officer or employee of any of the Indemnified Parties shall be personally liable to Subtenant, its successors and assigns, in the event of any default or breach by Sublandlord or for any amount which may become due to Subtenant, its successors and assigns, or for any obligation of Sublandlord under this Agreement.

19.20. No Discrimination. Subtenant shall comply with the non-discrimination provisions of Section 19.1 of the Master Lease, including, without limitation, posting all notices required therein.

19.21. Counterparts. This Sublease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

19.22. Master Landlord's Consent. This Sublease is expressly conditioned upon receipt of the written consent of Master Landlord

20. SPECIAL PROVISIONS

20.1. Signs. Subtenant agrees that it will not erect or maintain, or permit to be erected or maintained, any signs, notices or graphics upon or about the Premises which are visible in or from public corridors or other portions of any common areas of the Building or from the exterior of the Premises, without Sublandlord's prior written consent, which Sublandlord may withhold or grant in its sole discretion.

20.2. Public Transit Information. Subtenant shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Subtenant employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Subtenant's sole expense.

20.3. Non-Discrimination.

(a) Covenant Not to Discriminate. In the performance of this Sublease, Subtenant covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with, Subtenant in any of Subtenant's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Subtenant.

(b) Subleases and Other Subcontracts. Subtenant shall include in all Subleases and other subcontracts relating to the Premises a non-discrimination clause applicable to such subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Subtenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subtenants and other subcontractors to comply with such provisions. Subtenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Sublease.

(c) Non-Discrimination in Benefits. Subtenant does not as of the date of this Sublease and will not during the Term, in any of its operations in San Francisco or where the work is being performed for the City or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) HRC Form. Subtenant shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission (the "HRC").

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Subtenant shall comply fully with and be bound by all of the provisions that apply to this Sublease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Subtenant understands that pursuant to Section 12B.2(h) of the

San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Sublease may be assessed against Subtenant and/or deducted from any payments due Subtenant.

20.4. No Relocation Assistance; Waiver of Claims. Subtenant acknowledges that it will not be a displaced person at the time this Sublease is terminated or expires by its own terms, and Subtenant fully RELEASES, WAIVES AND DISCHARGES forever any and all Claims against, and covenants not to sue, Sublandlord, its departments, commissions, officers, directors and employees, and all persons acting by, through or under each of them, under any laws, including, without limitation, any and all claims for relocation benefits or assistance from Sublandlord under federal and state relocation assistance laws (including, but not limited to, California Government Code Section 7260 et seq.), except as otherwise specifically provided in this Sublease with respect to a Taking.

20.5. Rent Control Laws Inapplicable. Subtenant acknowledges and agrees that the rent for the Premises is controlled by a governmental agency and, therefore, neither the Premises nor this Sublease are subject to the provisions of any rent control or other similar ordinances, including, without limitation, the provisions of Chapter 37 of the San Francisco Administrative Code.

20.6. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Subtenant acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

20.7. Tropical Hardwood Ban. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

20.8. Conflicts of Interest. Subtenant states that it is familiar with the provisions of Section 8.105 and 8.106 of the San Francisco Charter and certifies that it knows of no facts which would constitute a violation of such provisions. Subtenant further certifies that it has made a complete disclosure to the Sublandlord of all facts bearing on any possible interests, direct or indirect, which Subtenant believes any officer or employee of the Sublandlord presently has or will have in this Sublease or in the performance thereof or in any portion of the profits thereof. Willful failure by Subtenant to make such disclosure, if any, shall constitute grounds for the Sublandlord's termination and cancellation of this Sublease.

20.9. Prevailing Wages for Construction Work. Subtenant agrees that any person performing labor in the construction of the alterations required under Section 7.1 [Alterations] shall be paid not less than the highest prevailing rate of wages and that Subtenant shall include, in any contract for construction of such improvements, a requirement that all persons performing labor under such contract shall be paid not less than the highest prevailing rate of wages for the labor so performed. Subtenant further agrees that, as to the construction of such improvements under this Sublease, Subtenant shall comply with all the provisions of subsection (b) of San Francisco Charter Section A7.204 and Sections 6.33 through 6.45 of the San Francisco Administrative Code that relate to payment of prevailing wages. Subtenant shall require any contractor to provide, and shall deliver to Sublandlord every two weeks during any construction period, certified payroll reports with respect to all persons performing labor in the construction of any of the required alterations.

20.10. Prohibition of Tobacco Advertising. Subtenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the Authority or the City, including the Premises and the Property. This prohibition includes the placement of the name of a company producing selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

Sublandlord and Subtenant have executed this Sublease in triplicate as of the date first written above.

SUBTENANT:

CITY AND COUNTY OF SAN FRANCISCO,
A municipal corporation

By: _____

Its: Director of property

SUBLANDLORD:

TREASURE ISLAND DEVELOPMENT
AUTHORITY

By: _____

Annemarie Conroy

Its: Executive Director

Approved as to Form:

Deputy City Attorney

EXHIBIT A

MASTER LEASE

EXHIBIT B

DRAWING OF THE PROPERTY

Building One

EXHIBIT C

DRAWING OF THE PREMISES

Room 21, 500 square feet, \$1.00 per square feet

EXHIBIT D

STANDARD RULES AND REGULATIONS

EXHIBIT E

STANDARD UTILITIES AND SERVICES

Included in Base Rent



Notes

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AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Resolution Authorizing the Executive Director
To Issue a Request for Qualifications for a
Guaranteed Fixed Price Contractor to Assist the
Authority in Negotiations and Implementation of
An Early Transfer of Former Naval Station Treasure Island

Agenda Item No. 8
Meeting of March 12, 2003

Contact/Phone: Annemarie Conroy, Executive Director
Stephen Proud, Deputy Director
274-0660

BACKGROUND

In December 2002, the Authority formally requested the Navy commence negotiating an "Early Transfer" of former Naval Station Treasure Island ("NSTI") to the Authority pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and the Defense Environmental Program ("DEP"). An Early Transfer at NSTI would involve a "fence-to-fence" transfer of the entire base under which the Authority would receive a Finding of Suitability to Transfer ("FOST") for all "clean" property and a Finding of Suitability for Early Transfer (FOSET) for all remaining property.

Under the DEP, the Navy is authorized to enter into an agreement with local agencies, such as the Authority, to carry out aspects of the Navy's remedial obligations with funds provided by the Navy after an early transfer by FOSET. The terms for transferring the Navy's remedial obligations to the Authority, including the amount of funds to be made available for investigation and remediation of contamination at the base, will be set forth in an Environmental Services Cooperative Agreement ("ESCA"), to be negotiated between the Navy and the Authority. The Navy has indicated a willingness to enter into negotiations for such a transfer with an ESCA by the end of 2003 and has identified a team to work with the Authority to accomplish that objective.

At the same time the Authority is negotiating with the Navy on the ESCA, the Authority will need to negotiate a Consent Agreement with the California Environmental Protection Agency's Department of Toxics Substances Control (DTSC, the lead regulatory agency) to ensure that DTSC concurs with the investigation and remediation proposal that forms the basis of the final ESCA. There also may be additional negotiations with the Regional Water Quality Control Board—San Francisco Bay Region (RWQCB) and/or the United States Environmental Protection Agency (US EPA) to gain their concurrence with aspects of the planned investigations and remediation proposals. In addition, to ensure that the Authority can complete investigation and remediation of the base, as contemplated by the ESCA and the Consent Agreement (the "Remediation"), the Authority will enter into a guaranteed fixed-price ("GFP") contract with an



environmental engineering and remediation contractor (the "Contractor") to undertake the Remediation. That fixed-price contract will include environmental insurance to address potential cost overruns, changed conditions, and unknown environmental liabilities. As part of the Early Transfer process, the Authority will work with the Contractor to negotiate with insurers to provide appropriate environmental insurance coverage.

On February 12, 2003, the Authority authorized a contract with Geomatrix to provide a scope of services that includes:

- Drafting a RFQ for a guaranteed fixed-price environmental engineering and remediation contractor ("GFP Contractor").
- Evaluating bids, selecting a GFP Contractor, and negotiating a guaranteed fixed-price remediation contract with the GFP Contractor.
- Provide detailed briefings to the GFP Contractor on the history and current status of environmental investigation and remedial activities at the site to allow the GFP Contractor to prepare as expeditiously as possible a proposed cost estimate and scope of work for the Environmental Services Cooperative Agreement (ESCA) with the Navy.
- Provide technical support to the Authority throughout the process of negotiating the various legal documents necessary to complete an Early Transfer to the extent the City determines that it needs such support from an independent consultant to assure that the GFP Contractor is acting in the best interest of the City.
- Assist the Authority in preparing and presenting technical and financial information to the public and City officials to aid in the decision-making process; and attending technical and strategy meetings regarding the above.

Staff and Geomatrix have completed the RFQ and a copy is attached as Exhibit A. Under the terms of the RFQ, the GFP Contractor would be required to:

- Work with the Authority staff and consultants, and meet and consult with the Navy, regulators and other interested parties, to prepare a cost estimate and scope of work for the remediation effort, culminating in the preparation of an initial cost proposal to the Authority for the scope of work. This proposal will form the basis for the Authority's formal offer to the Navy for the proposed terms (including the proposed grant amount) of an ESCA.
- Assist the Authority in negotiating the terms and language of an ESCA, Consent Agreement and insurance policies with the relevant parties.
- Negotiate a GFP contract with the Authority, including satisfactory environmental insurance.



- Enter into a GFP Contract with the Authority and undertake and complete the remediation program. This will include regulatory approval of all necessary closure documents, close coordination of activities with the Authority and the Developer, and community outreach, (possibly through the RAB) designed to provide public review, input, and comment on the remediation effort.

Staff estimates that it will take up to 28 weeks to prepare the cost proposal and successfully negotiate an ESCA with the Navy. The RFQ assumes the Authority will compensate the GFP Contractor for the scope of work involved in the preparation of the cost proposal to the Navy, and that the GFP Contractor will assume some of the costs associated with the negotiation process with the Navy as a business development expense (on the assumption that a successful negotiation will result in awarding the actual GFP to the contractor).

RECOMMENDATION

Staff recommends that the Authority Board authorize the Executive Director to issue the RFQ for a GFP contractor.

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF THE HISTORY OF ARTS

ARTS AND SCIENCES CAMPUS

1 AUTHORIZING THE EXECUTIVE DIRECTOR TO ISSUE A REQUEST FOR
2 QUALIFICATIONS FOR A GUARANTEED FIXED-PRICE CONTRACTOR TO ASSIST THE
3 AUTHORITY IN NEGOTIATIONS AND IMPLEMENTATION OF AN EARLY TRANSFER FOR
4 FORMER NAVAL STATION TREASURE ISLAND

5 WHEREAS, former Naval Station Treasure Island is a military base located on
6 Treasure Island and Yerba Buena Island (together, the "Base"), which is currently owned by
7 the United States of America ("the Federal Government"); and,

8 WHEREAS, The Base was selected for closure and disposition by the Base
9 Realignment and Closure Commission in 1993, acting under Public Law 101-510, and its
10 subsequent amendments; and,

11 WHEREAS, On May 2, 1997, the Board of Supervisors passed Resolution No. 380-97,
12 authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit
13 corporation known as the Treasure Island Development Authority (the "Authority") to act as a
14 single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and
15 conversion of the Base for the public interest, convenience, welfare and common benefit of
16 the inhabitants of the City and County of San Francisco; and,

17 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
18 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
19 1333 of the Statutes of 1968 (the "Act"), the California Legislature (I) designated the Authority
20 as a redevelopment agency under California redevelopment law with authority over the Base
21 upon approval of the City's Board of Supervisors, and (ii) with respect to those portions of the
22 Base which are subject to Tidelands Trust, vested in the Authority the Authority to administer
23 the public trust for commerce, navigation and fisheries as to such property; and

24 WHEREAS, The Tidelands Trust prohibits the sale of trust property into private
25 ownership, generally requires that Tidelands Trust property be accessible to the public and



encourages public-oriented uses of Trust property that, among other things, attract people to the waterfront, promote public recreation, protect habitat and preserve open space; and

WHEREAS, In December 2002, the Authority formally requested the Navy commence negotiating an "Early Transfer" of former Naval Station Treasure Island ("NSTI") to the Authority pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and the Defense Environmental Program ("DEP"); and,

WHEREAS, Under the DEP, the Navy is authorized to enter into an agreement with local agencies, such as the Authority, to carry out aspects of the Navy's remedial obligations with funds provided by the Navy after an early transfer by FOSET; and

WHEREAS, The terms for transferring the Navy's remedial obligations to the Authority, including the amount of funds to be made available for investigation and remediation of contamination at the base, will be set forth in an Environmental Services Cooperative Agreement ("ESCA"), to be negotiated between the Navy and the Authority; and,

WHEREAS, To ensure that the Authority can complete investigation and remediation of the Base, as contemplated by the ESCA and the Consent Agreement (the "Remediation"), the Authority desires to enter into a guaranteed fixed-price ("GFP") contract with an environmental engineering and remediation contractor (the "Contractor") to undertake the Remediation; and,

WHEREAS, On February 12, 2003, the Authority authorized a contract with Geomatrix to prepare a Request for Qualifications ("RFQ") for a GFP Contractor; and

WHEREAS, Staff and Geomatrix have completed a draft RFQ and a copy is attached as Exhibit A; and

WHEREAS, Under the terms of the RFQ, the GFP Contractor would be required to, among other things, work with the Authority staff and consultants and meet and consult with the Navy, regulators and other interested parties, to prepare a cost estimate and scope of work for the remediation effort, culminating in the preparation of an initial cost proposal to the



Authority for the scope of work; assist the Authority in negotiating the terms and language of an ESCA, Consent Agreement and insurance policies with the relevant parties; negotiate a GFP contract with the Authority, including satisfactory environmental insurance; and enter into a GFP Contract with the Authority and undertake and complete the remediation program including regulatory approval of all necessary closure documents, close coordination of activities with the Authority and the Developer, and community outreach, (possibly through the RAB) designed to provide public review, input, and comment on the remediation effort.; now therefore be it

RESOLVED, That the Authority hereby authorizes the Executive Director of the Project to issue a RFQ for a Guaranteed Fixed-Price Contractor to conduct environmental engineering and remediation services in support of an early transfer of Former Naval Station Treasure Island and to make any necessary changes to the RFQ that reflect the intent of this resolution.

CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting Secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed meeting on March 12, 2003.



Draft RFQ – Environmental Engineering and Remediation Contractor

1.0 INTRODUCTION

The Treasure Island Development Authority ("Authority") is issuing this Request for Qualifications ("RFQ") in search of candidates ("Candidates") who have the necessary qualifications to perform the environmental engineering and remediation work set forth in this RFQ. Whether a Candidate has such qualifications will be determined through the evaluation process described in Section 6 of this RFQ. The Candidate chosen through this process ("Successful Candidate") will conduct the Phase I and Phase II work described in Section 3.0 of this RFQ and will be expected to negotiate a guaranteed fixed-price contract (the "GFP Contract") with the Authority to perform the Phase III work described in Section 3.0 of this RFQ. No Candidate shall have any legal or equitable right or obligation to enter into the GFP Contract or to perform the work as a result of such Candidate's being chosen as the Successful Candidate.

If necessary, Candidate firms may form a team in order to meet all qualifications necessary to perform the work. For purposes of this RFQ, the term "Candidate" refers to an individual firm or team of firms that comprise a project team.

The project area described in this RFQ encompasses portions of Treasure Island (TI), Yerba Buena Island (YBI), and the causeway that connects the two islands (the "causeway"). In this RFQ, the abbreviation TI/YBI will be used to denote that entire area and the individual names will be used to designate their respective specific areas.

2.0 BACKGROUND

This section of the RFQ provides a brief summary of the historic, administrative and technical background for the work. Candidates can make an appointment to review published documents that are contained in the Navy Repository at Treasure Island by contacting:

Stephen Proud
Deputy Director Treasure Island Project
410 Avenue of Palms, Building 1
San Francisco, CA 94130
(415) 274-0342

Additionally, most documents are available at the San Francisco Main Public Library located at 100 Larkin Street in San Francisco.

2.1 HISTORIC BACKGROUND

Naval Station Treasure Island has a long history that dates back to early occupation of Yerba Buena Island by the U.S. Army in 1867 and subsequently by the Navy in 1898. Treasure Island proper was constructed by the New Deal-era WPA in 1938/1939. It was built for the purpose of hosting the Golden Gate International Exposition to celebrate the engineering marvels achieved by the completion of both the Golden Gate and Bay Bridges. The original plan was to hold the two-year long exposition, and then convert the island and related facilities into an international civilian airport. However, as the fair ended, American involvement in the Second World War

was becoming certain, and upon the fair's closure in 1940 plans were underway to convert the island to a naval base.

During World War II, Treasure Island was used as a center for receiving, training and dispatching service personnel. During this period, Exposition structures were temporarily used for barracks and training centers and new structures were constructed to house military functions. After the war, Treasure Island was primarily used as a naval training and administrative center. Approximately 3,000 military and 1,000 civilian personnel worked at the naval station. Some of the major functions were the Fleet Training Center; Commander Naval Base San Francisco; waterfront facilities; troop and family housing; personnel support including the processing of Pacific-bound and homecoming personnel; and an aviation, military and Exposition museum.

In 1993, Congress and the President selected Naval Station Treasure Island for closure and disposition by the Base Realignment and Closure Commission ("BRAC") acting under Public Law 101-510 and its subsequent amendments. The Department of Defense subsequently designated the City and County of San Francisco and, then, the Treasure Island Development Authority as the Local Reuse Authority ("LRA") responsible for the conversion of Treasure Island under the federal disposition process.

2.2 ADMINISTRATIVE BACKGROUND

Pursuant to authorizing legislation (California Assembly Bill 699), the City and County of San Francisco (City) established the Treasure Island Development Authority (Authority). The Authority's role is to manage the conversion of former Naval Station Treasure Island from military to civilian use.

Pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Navy has been undertaking an environmental remediation program to fulfill it's environmental and transfer responsibilities with respect to TI/YBI. Those Navy responsibilities include meeting applicable and relevant federal and state environmental requirements to allow the base to be transferred to the Authority in an environmental condition that will support the Authority's redevelopment plans. The ultimate goal of the Navy's work is to issue a Finding of Suitability to Transfer (FOST) that will state that the property can be transferred and reused for the intended purposes and then to transfer the property. The Authority monitors the Navy's work to evaluate the compatibility of the Navy's proposed remediation activities with the Authority's redevelopment plans. A Restoration Advisory Board (RAB) was established by the Navy in 1994 to provide public review, input, and comment on the environmental remediation program.

For the environmental remediation program, Treasure Island and Yerba Buena Island were divided into 144 parcels (118 on TI and 26 on YBI, see Figure 2) which were then classified in terms of environmental condition to enable the Navy and the Authority to identify properties that initially were suitable for transfer and areas that required environmental investigation or remediation. As part of the BRAC process, some parcels were transferred to other federal entities (U.S. Coast Guard, U.S. Department of Labor [Job Corp], and Federal Highway Administration [FHA]) as shown on Figure 2. These entities have active facilities on TI/YBI, including a Job Corp training center which houses approximately 850 students on TI. The Navy leased significant portions of the Base to the Authority pursuant to a Findings of Suitability to Lease (FOSL); a FOSL allows for use of a parcel prior to completion of a FOST. As a result of

this process, TI/YBI has a thriving community that includes approximately 3,000 residents who live in both market rate and transitional housing, an elementary school operated by the San Francisco Unified School District, a child care center, a fire training facility operated by the San Francisco Fire Department, and several other Authority tenants.

In December 2002, the Authority formally requested the Navy to commence negotiating an early "fence-to-fence" transfer of the entire base to the Authority by the end of calendar year 2003, pursuant to CERCLA and the Defense Environmental Program (DEP). This early transfer process would require the Navy to complete, before the end of calendar year 2003, a FOST for all "clean" property and a Finding of Suitability for Early Transfer (FOSET) for all other property. Parcels that previously have been transferred to other federal entities will not be transferred to the Authority. The FHA Temporary Construction Easement (Figure 2) may be transferred to the Authority in the future.

Under the DEP, the Navy is authorized to enter into an agreement with local agencies, such as the Authority, to carry out aspects of the Navy's remedial obligations with funds provided by the Navy after an early transfer by FOSET. The terms for transferring the Navy's remedial obligations to the Authority, including the amount of funds to be made available for investigation and remediation of contamination at the base, will be set forth in an Environmental Services Cooperative Agreement ("ESCA"), to be negotiated between the Navy and the Authority. The Navy has indicated a willingness to enter into negotiations for such a transfer with an ESCA by the end of 2003 and has identified a team to work with the Authority to accomplish that objective.

At the same time the Authority is negotiating with the Navy on the ESCA, the Authority will need to negotiate a Consent Agreement with the California Environmental Protection Agency's Department of Toxics Substances Control (DTSC, the lead regulatory agency) to ensure that DTSC concurs with the investigation and remediation proposal that forms the basis of the final ESCA. There also may be additional negotiations with the Regional Water Quality Control Board—San Francisco Bay Region (RWQCB) and/or the United States Environmental Protection Agency (US EPA) to gain their concurrence with aspects of the planned investigations and remediation proposals. In addition, to ensure that the Authority can complete investigation and remediation of the base, as contemplated by the ESCA and the Consent Agreement (the "Remediation"), the Authority will enter into a guaranteed fixed-price contract with an environmental engineering and remediation contractor (the "Contractor") to undertake the Remediation. That fixed-price contract will include environmental insurance to address potential cost overruns, changed conditions, and unknown environmental liabilities. As part of the Early Transfer process, the Authority will work with the Contractor to negotiate with insurers to provide appropriate environmental insurance coverage.

The Authority is presently finalizing its selection of a master developer (the "Developer") with whom the Authority will enter into an exclusive negotiating agreement ("ENA") to negotiate a development and disposition agreement ("DDA") granting the Developer the right to develop most of the base – both as a purchaser of certain lands and as a long-term lessee of other lands. Although the Authority anticipates executing the ENA before the early transfer is completed, it does not anticipate executing the DDA before that time.

Because Treasure Island was created by placing fill on State tidelands, it is subject to the "public trust," which means that after transfer from the Navy the Authority must retain title to the land as a trustee and the land can be used only for certain purposes. Land exchange negotiations between the Authority and the California State Lands Commission are expected to result in the public trust status of certain portions of Treasure Island being removed. Those portions would be purchased by the Developer, and other portions would be leased by the Authority to the Developer to be used for purposes consistent with the public trust.

These interrelated ownership and leasehold interests of the Authority and the Developer will require the Contractor to closely coordinate with both parties in implementing the GFP Contract. As the DDA is executed, it is possible that the Authority and Contractor would mutually agree to assign part or all of the GFP Contract to the Developer, or to otherwise create a contractual relationship between the Developer and the Contractor. However, the Authority anticipates that the GFP Contract would initially assume that the Contractor's relationship will be solely with the Authority for the duration of the Contract.

2.3 TECHNICAL BACKGROUND

This section provides technical information about CERCLA sites (Section 2.3.1), petroleum-related sites (Section 2.3.2), and additional sites with a known or potential environmental impact that have not yet been formally classified (Section 2.3.3). The GFP Contractor will be responsible for these sites to the extent that the Navy has not completed remediation of these sites by the date of early transfer. This technical background section is intended to provide potential Candidates with information about key technical issues at TI/YBI. It is not intended to be comprehensive and is subject to change. Candidates can review published documents at the location described in Section 2.0.

In addition to the designated sites, the Navy has designed and is implementing a base-wide groundwater monitoring program to provide necessary long-term monitoring for multiple sites. A Navy sampling and analysis plan for the continuation of this program in the 2003-2004 federal fiscal year is scheduled for completion near the end of May 2003. The Authority anticipates that groundwater monitoring will become the Authority's responsibility (to be implemented under the GFP Contract) upon completion of early transfer.

2.3.1 CERCLA Sites

At TI/YBI, CERCLA sites are addressed under the provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, commonly known as the federal "Superfund" program). There are currently 14 designated CERCLA Sites on TI/YBI: Sites 1, 3, 7, 8, 9, 10, 11, 12, 13, 21, 24, 27, 28, and 29 (Figure 3). These sites are at various stages in the CERCLA process, which generally includes a Preliminary Assessment and/or Site Inspection (PA/SI), Interim Removal Action (IRA) and associated Engineering Evaluation/Cost Analysis (EE/CA), Remedial Investigation (RI), Feasibility Study (FS), a Record of Decision (ROD), a Remedial Action Plan (RAP), and Remedial Design/Remedial Action (RD/RA). DTSC approved closure of Sites 1 and 3 in 2002 following completion of a SI. No portion of Site 11 will be transferred to the Authority and, therefore, this site is not included in this RFQ. The remaining 11 sites are the subject of this RFQ and a brief description is provided below.

- **Site 7 (Former Pesticide Building).** The Navy completed field investigations in 2002 and completed a SI that indicates that there is no significant impact. The Navy intends to close the site in 2003.
- **Site 8 (Army Point Disposal Area on YBI).** The site was used for eight years for disposal of sludge from the Treasure Island wastewater treatment plant. Contaminants of concern are metals and pesticides. Most of this site falls on property transferred to the FHA.
- **Site 9 (Former Foundry) and Site 10 (Former Bus Painting Shop).** The Navy has recently completed field investigations and the Authority understands the Navy intends to use this information to complete an RI for each site. Contaminants of concern at Site 9 include solvents, lead and petroleum products. Contaminants of concern at Site 10 include polycyclic aromatic hydrocarbons (PAHs) and pesticides.
- **Site 12 (Former Bunker Area).** This site was used for ammunition storage, debris and trash disposal, waste incineration and oil storage from the early 1940's until the late 1960's. The area was subsequently graded and military housing was constructed. Investigations have indicated three distinct areas of the site as shown on Figure 4 and summarized below:
 1. Solid waste disposal areas where elevated concentrations of the presence of polynuclear aromatic hydrocarbons (PAHs), lead, PAHs and occasionally dioxins have been detected within known solid waste disposal areas (SWDA).. These areas are currently fenced and unoccupied.
 2. A former storage yard where elevated concentrations of PCBs and occasionally PAHs have been detected. A removal action was conducted, however, regulators have not concurred that work is complete. This area currently is fenced and unoccupied.
 3. The remainder of the housing area, where elevated concentrations of lead, PAHs and PCBs have sporadically been detected. Most of this area currently is occupied by residents and includes backyards for individual units and large common areas.

The Navy is developing an EE/CA as an interim remedy to address the SWDAs (including the former storage yard) and backyards of occupied housing. The Navy intends to complete the EE/CA and implement the selected remedy in 2003. However, the process may be delayed. The Navy also plans to conduct a comprehensive investigation to evaluate the need for an interim remedy in the common areas of the occupied housing; the Navy plans to conduct this investigation in the near future and implement an interim remedy (if necessary) at the same time it implements the interim remedy for the backyards. Development of the EE/CA has involved a significant level of public outreach (including residents) and the Authority anticipates that continued public outreach will be essential after the site is transferred to the Authority.

- **Site 13 (Storm water Outfalls).** This site consists of offshore sediment surrounding TI/YBI, including sediment in Clipper Cove that might have been contaminated by storm water runoff discharged from the island through a system of storm drain outfalls around the perimeter of the island. The Navy has completed an RI for the offshore areas and this document concluded that no action is recommended for the offshore areas except Site 27 (See below).
- **Site 21 (Former Vessel Waste Oil Recovery Area).** Field investigations are being conducted to assess the feasibility of relying on monitored natural attenuation to address a plume of volatile organic compounds (VOCs) in groundwater.
- **Site 24 (Former Dry Cleaning Facility).** Investigation of VOCs in groundwater and the sources of those compounds is underway. The VOC plume may extend 500 to 1,000 feet from the source area and may reach San Francisco Bay. A pilot study will be conducted in 2003 to assess the feasibility of using biodegradation, enhanced by chemical injections, to address a source area where a dense non-aqueous phase liquid (DNAPL) source exists. The Authority does not know when the Site 24 CERCLA process will be completed.
- **Sites 28 & 29 (Portions of YBI under the west-side and east-side on ramps and off ramps, respectively, of the San Francisco-Oakland Bay Bridge).** Lead-containing debris from bridge maintenance operations has accumulated on the ground.
- **Site 27 (Clipper Cove Skeet Range).** This site consists of the estimated impact area for lead pellets and clay pigeon fragments associated with the former Navy skeet range on the north shore of Clipper Cove. Site 27 is contained within Site 13. The final report of the offshore Remedial Investigation was issued on December 28, 2001. The Executive Summary of this Report states: "In conclusion, based on the information and data evaluated as part of the offshore investigation at NAVSTA TI, the Navy does not consider chemical levels present to pose a level of risk to aquatic and avian receptors that requires action. No further investigation or action is recommended for any of the offshore areas of NAVSTA TI with the exception that possible future sediment dredging at the Clipper Cove Skeet Range may warrant land use controls to protect diving ducks." The Authority and RWQCB do not concur with the Navy's position. There is a high likelihood that future maintenance dredging will take place at the Clipper Cove Skeet Range, and therefore contaminants in Clipper Cove sediments may require further action.

2.3.2 Petroleum-Related Sites

Petroleum-related sites include Corrective Action Plan (CAP) sites, petroleum pipeline sites, and underground storage tank (UST) sites. The lead regulatory agency for all of these sites is the RWQCB. Petroleum-related sites are shown on Figure 5.

Corrective Action Plan Sites ("CAP" sites)

The Corrective Action Plan Sites ("CAP Sites") are exempt from regulation under CERCLA's petroleum exclusion. CAP sites that are the subject of the RFQ are briefly described below:

- **Site 6 (Fire Training School).** It is likely that Site 6, currently designated as a petroleum site, and adjoining areas, will require further investigation to assess the extent of dioxins detected there. It is highly likely that Site 6 will be re-designated as a CERCLA site.
- **Site 14/22 (a combination of formerly separate but adjoining sites – New Fuel Farm and Former Navy Exchange Service Station).** Active remediation currently is underway, using a combination of soil vapor extraction and air sparging systems. The Authority does not know when corrective action and groundwater monitoring will be complete.
- **Site 15 (Old Fuel Farm).** Groundwater monitoring is being used to collect data to support a monitored natural attenuation remedy.
- **Site 16 (Clipper Cove Tank Farm).** A new investigation, and possibly additional remediation, is needed because the earlier investigation and cleanup excavation were based on incorrect information about the actual location of the former tank farm.
- **Site 20 (Former Auto Hobby Shop and Transportation Center).** Excavation of affected soil has been performed and groundwater monitoring is being used to collect data to support monitored natural attenuation to complete the remedy. Potential VOCs have not been evaluated.
- **Site 25 (Former Seaplane Maintenance Area).** Active remediation currently is underway, using a combination of soil vapor extraction and air sparging systems. The Authority does not know when corrective action and groundwater monitoring will be complete.

Pipeline Sites

Where feasible, abandoned buried fuel pipelines have been removed or closed in place. A small amount of pipeline-related work remains at this time, including free product removal by excavation for the D1B pipeline site and excavation of free product and PAHs at the F2A and F2B pipeline sites, followed by evaluation of natural attenuation (Figure 5). The Authority does not know when these sites will be closed.

Underground Storage Tank (UST) Sites

Many underground storage tanks (USTs) have been located at TI/YBI. Some of them have been removed or closed in place because they were no longer needed. Others have been removed or closed in place, and surrounding soil and/or groundwater has been remediated, because those USTs had released contaminants. The Navy is scheduled to release a draft facility wide UST Summary Report for comments. That report is expected to document that all known or suspected USTs have been investigated, and that most USTs known to require remedial action have been addressed. The Authority understands that most, if not all, remaining USTs that require remedial action are scheduled to be addressed by the Navy, with final documentation completed, by approximately the end of 2003, except as noted below.

- UST Site 180C is the subject of continuing investigation and assessment to address unexpected field data that will influence the details of the required remediation, but it is not anticipated that this will result in a need for significant work.
- UST Site 227 has been excavated, and backfill included oxygen-releasing materials intended to expedite the degradation of remaining petroleum that was deemed impractical

to excavate. Groundwater monitoring results at UST Site 227 will determine whether official closure can be obtained in 2003.

- PAHs left in place after the remediation of buried tanks at Building 66 on Yerba Buena Island may require further evaluation and possible remediation.

2.3.3 Additional Sites

Two other sites recently have been identified where investigations have demonstrated environmental impact from previously unknown sources.

- A previously unknown buried drum in Parcel T-086 (Figure 2) ruptured in early 2002, releasing petroleum products, including material that flowed out onto the ground surface. A subsequent geophysical survey of the site detected several magnetic anomalies that will be investigated by excavation. The future status of this site depends on the results of that investigation.
- At Parcel T-094 (Figure 2), the Child Care Center and the adjacent 11th Street area, recent Navy investigations indicated the presence of lead and dioxins in soil. In 2002, the Navy conducted interim remedial measures to allow the child care center to open in 2003. The Authority understands that the Navy intends to designate this parcel as a CERCLA site which, therefore, will be addressed through the CERCLA process.

Review of Navy's Environmental Baseline Survey (EBS) information by the Authority and review of historical utility maps by the Navy have focused attention on a number of sites that had not been adequately investigated by the Navy and that require field sampling. A work plan currently is being developed for this new investigation, which is scheduled for spring 2003. Approximately 20 such sites have been identified on Treasure Island (Figure 6). Based on available information, a tailored suite of analyses will be performed on samples from each site. Contaminants for which samples will be tested in this program include: VOCs, petroleum hydrocarbons, PAHs, metals, pesticides, PCBs, and dioxins. The outcome of these investigations cannot be predicted at this time; however, the Authority expects data from the investigation to be available for review during spring or summer 2003.

3.0 THE WORK

3.1 DESCRIPTION OF THE WORK

The following description of the Work is intended as a general guide and not as a complete description of all aspects of the Work or of all tasks necessary in order to complete the Work. The Authority expects to negotiate the parcels to be included in the FOSET during the first phase of work described in section 3.1.1. The scope of work described herein will apply only to the sites listed above and any additional sites located in parcels included within the FOSET.

Work and compensation for Phases I and II will be governed by a negotiated Consulting and Reimbursement Agreement between the Successful Candidate and the Authority as further described below. Phase III will be performed under a GFP Contract between the Successful Candidate and the Authority.

The purpose of this Request for Qualifications is to select an environmental engineering and remediation firm or firms to perform the following scope of work:

3.1.1 Phase I

The Successful Candidate will work with the Authority's staff and consultants, and meet and consult with the Navy, regulators and other interested parties, to prepare a cost estimate and scope of work for the Remediation, culminating in the Successful Candidate's preparation of an initial proposal to the Authority for completing the Remediation. The Successful Candidate's proposal will form the basis for the Authority's formal offer to the Navy for the proposed terms (including the proposed grant amount) of an ESCA. The end of Phase I activities will be the Authority's presentation of the formal offer to the Navy.

At a minimum, the Phase I effort will include:

- Review of relevant Navy technical documents,
- Evaluation of the existing environmental data,
- Meetings with the Authority to develop an understanding of technical concerns and long-term objectives (including the reuse plan),
- Assessment of alternative remedial strategies,
- Participation in technical and substantive discussions with the Navy, DTSC, other regulatory agencies, and the public,
- Preparation and evaluation of remedial cost estimates,
- Initiation of the process for obtaining insurance, and
- Presentation of technical and financial information to City and Authority officials.

The Authority currently retains Geomatrix Consultants Inc. ("Geomatrix") to review and monitor the Navy's program for investigation and remediation of the base. Geomatrix will assist the Successful Candidate in "coming up to speed" on existing data and information regarding environmental conditions on the base, and will assist the Authority by supplementing its in-house

environmental staff capabilities throughout the early transfer negotiation process. Geomatrix is prohibited under the terms of its contract with the Authority from being selected as the Contractor for the guaranteed fixed-price contract.

The Phase I effort is expected to take 8 to 12 weeks. If the Authority or Successful Candidate determine at the end of Phase I that the Successful Candidate has not been able to develop an initial proposal for a guaranteed fixed-price contract that is likely to result in successful negotiations of an ESCA and Consent Agreement with the Navy and the DTSC, the Consulting and Reimbursement Agreement between the Authority and the Successful Candidate (as described in Section 3.2) will terminate.

3.1.2 Phase II

The Successful Candidate will assist the Authority in negotiating the terms and language of an ESCA, Consent Agreement and insurance policies with the relevant parties. Phase II will be considered complete when the ESCA, Consent Agreement, and agreements with other regulators (if necessary to complete the Remediation) are complete, and a GFP Contract has been negotiated between the Authority and the Successful Candidate, including satisfactory environmental insurance coverage. At a minimum Phase II will include:

- Refining the offer to the Navy based on negotiations with the Navy,
- Providing advice to the Authority on strategy and costs as it negotiates the ESCA,
- Providing technical advice to the Authority as it negotiates the Consent Agreement and agreements with other regulators, as necessary,
- Implementing the process for obtaining price and term proposals from insurers to provide an environmental insurance policy, selecting the insurer, and negotiating with the selected insurer to reach agreement on policy language,
- Negotiating the price and terms of a GFP Contract with the Authority to perform the Remediation.

Phase II is expected to take 12 to 16 weeks. If the Authority fails to reach agreement with the Navy and regulators on the terms of an early transfer or if the Authority or Successful Candidate determine that they are not likely to agree to terms for a final GFP Contract to perform the scope of work set forth in the ESCA and Consent Agreement, the Consulting and Reimbursement Agreement (as described in Section 3.2) will terminate. In the event that the Consulting and Reimbursement Agreement terminates, and the Authority decides to continue negotiating an early transfer with the Navy, the Authority will select another contractor and commence negotiations with that contractor.

3.1.3 Phase III

Assuming that all Phase II agreements are satisfactorily completed, the Successful Candidate will enter into a GFP Contract with the Authority and undertake the Remediation. The Remediation will include regulatory approval of all necessary closure documents, close coordination of activities with the Authority and the Developer, and community outreach, (possibly through the RAB) designed to provide public review, input, and comment on the Remediation. At the same time the GFP Contract is executed with the Authority, an insurance policy must be bound to provide coverage for (1) potential cost overruns related to the GFP

Contract; (2) potential liabilities arising from the discovery of unknown conditions; and (3) third party liabilities related to environmental conditions on the base.

3.2 COMPENSATION FOR THE WORK

The Authority will compensate the Successful Candidate for the successful completion of the Phase I scope of work in a not-to-exceed amount in accordance with the Consulting and Reimbursement Agreement, and no additional payment will be made. Candidates must propose a not-to-exceed cost for Phase I work in their response to this RFQ.

The Authority expects to compensate the Successful Candidate for some portion of the work for the successful completion of the Phase II. The Authority also recognizes that part of the Phase II work includes successful negotiation of the ESCA and GFP Contract, which could provide the Successful Candidate with a substantial dollar volume of work. Therefore, the Authority expects a portion of the Phase II work to be uncompensated as a business development expense. In consideration of these factors, Candidates must propose a method of compensation for Phase II work in their response to this RFQ

Compensation for Phase III will be in accordance with the GFP Contract negotiated as part of Phase II. The Authority expects that the amount to be paid under the guaranteed fixed-price contract for Phase III will be substantial (greater than 10 million dollars and less than 100 million dollars) and the Authority expects to be able to successfully and expeditiously negotiate a GFP Contract with the Selected Candidate.

4.0 NECESSARY QUALIFICATIONS

In order to be selected as a Successful Candidate, a Candidate (defined as entire Project Team) must meet each of the requirements described below.

4.1 GENERAL QUALIFICATIONS

The following General Qualifications must be met by the lead or primary contractor in the Candidates Project Team.

4.1.1 Goodstanding, Licenses, Etc.

The Candidate must be a valid existing legal entity, qualified to do business and in good standing in the State of California. In addition, the Candidate and each member of its Project Team must have all necessary licenses, permits, approvals and authorizations necessary in order to perform the Work and conduct the Candidate's business.

4.1.2 Financial Requirements

The Candidate must have the financial capability to enter into a guaranteed fixed-price contract of the magnitude that would be required to complete the Remediation. Accordingly the Candidate must have, for the 3 consecutive full fiscal years of the Candidate prior to the date of this RFQ, a net worth of at least \$10 million determined in accordance with generally accepted accounting principles

4.1.3 Other City Contracting Requirements.

The Candidate must be willing and able to comply with the City contracting requirements set forth in Section 8 of this RFQ.

4.1.4 Staffing

The Candidate Project Team must have management and technical personnel sufficient in number, availability, and qualifications to perform the Work in the manner required by the Authority.

4.2 Non-Technical and Environmental Insurance Experience

The Candidate Project Team must have the following Non-Technical and Environmental Insurance Experience.

4.2.1 Military Base Closure Experience

The Candidate must demonstrate experience with military base cleanup or closures. Experience with Early Transfer of military bases to civilian use will be given greater weight, but relevant experience with other base closures will be considered. Experience with the Navy also will be given greater weight, but relevant experience with other branches of the military will be considered.

4.2.2 Experience Obtaining Environmental Insurance

Each Candidate must include an insurance broker on its team. The Candidate must demonstrate experience in using environmental insurance coverage to support a guaranteed fixed-price contract. In addition, the Candidate must demonstrate that its proposed insurance broker has expertise in negotiating environmental insurance coverage and significant experience with similar environmental insurance procurement transactions.

4.2.3 Experience Coordinating Remedial Planning and Execution with Development Planning

The Candidate must demonstrate experience in integrating remediation with land use planning and subsequent site development.

4.2.4 Experience with Fixed-Price Contracts

The Candidate must demonstrate experience with successfully completing large fixed-price remediation contracts.

4.2.5 Knowledge of Federal, State and Local Laws, Regulations and Requirements

The Candidate must demonstrate experience with applicable federal, state and local environmental laws, regulations and requirements. Knowledge of CERCLA, RCRA, and regulations regarding petroleum releases, sediment cleanup, dioxins and PCBs is required.

4.2.6 Experience Working with Local, State and Federal Regulatory Agencies

The Candidate must demonstrate experience working with local (e.g., city or county health department), state (e.g., DTSC, RWQCB, California Integrated Waste Management Board, and Bay Conservation and Development Commission) and federal (e.g., US EPA and US Fish and Wildlife) agencies.

4.2.7 Experience with Public Outreach

The Candidate must demonstrate experience with communicating technically complex information to the public in written formats (e.g., fact sheets) and oral formats (e.g., one-on-one meetings with residents, large public meetings). Public outreach may include residents, an elementary school, a day care center, or other Authority tenants.

4.3 TECHNICAL EXPERIENCE

The Candidate must have the following Technical Experience.

4.3.1 Site Closure Planning and Cost Estimating

The Candidate must demonstrate experience with preparing scopes of work to achieve site closure that are acceptable to regulators and the community. The Candidate must also demonstrate experience in accurate estimation of overall site close-out costs. Cost estimating experience should include methods to address uncertainties associated with costs.

4.3.2 Soil and Groundwater Investigations

The Candidate must demonstrate experience planning and implementing soil and groundwater investigations. The Candidate must demonstrate experience using cost-effective investigation

methods, including but not limited to field screening methods (e.g. field test kits, x-ray fluorescence), direct-push technology, and grab groundwater sampling.

4.3.3 Human Health Risk Assessment

The Candidate must demonstrate experience with planning, conducting and defending both screening-level and site-specific human health risk assessments for a variety of exposure scenarios and contaminants of concern (lead, PCBs, PAHs, dioxins and petroleum hydrocarbons) in accordance with applicable federal and state guidance documents. Experience assessing multiple exposure pathways and modeling of indoor air exposures is necessary.

4.3.4 Ecological Risk Assessment

The Candidate must demonstrate experience with assessing risk to ecological receptors, particularly aquatic receptors

4.3.5 Dredge Permitting

The Candidate must demonstrate experience with identifying viable dredge-spoil disposal areas and with obtaining dredge permits (including dredge spoil disposal permits) and with performing necessary offshore sediment sampling and analysis to support such permits.

4.3.6 Soil and Groundwater Remediation

The Candidate must demonstrate experience with successfully selecting, designing, and implementing various remediation technologies, including vapor extraction of volatile compounds, enhanced in situ bioremediation of petroleum and chlorinated compounds, and permeable reactive groundwater treatment zones.

4.3.7 Contaminant Fate and Transport

The Candidate must demonstrate experience in performing quantitative numerical modeling of subsurface contaminant fate and transport in the vadose zone and groundwater. Such modeling may be necessary to support natural attenuation remediation alternatives.

4.4 COMPLETED PROJECTS

The Candidate must have completed several projects or transactions similar to the Work in scope.

4.5 CONFLICTS OF INTEREST

The Successful Candidate will be required to assist and advise the Authority in confidential negotiations with the United States of America, acting by and through the Department of the Navy. Candidates for this RFQ that are parties to a contract or subcontract with the United States or were previously a party to a contract or subcontract with the United States that involves or involved proprietary information of the United States relating to activities at TI/YBI may not be considered responsible or qualified candidates. All Candidates that are parties to a contract or subcontract with the United States that may render such candidates ineligible under this RFQ should contact the Navy to determine their eligibility. The Successful Candidate must document they have a waiver of any potential conflicts determined by the Navy.

Candidates are hereby further notified that the Successful Candidate may be precluded from entering into future contracts or a subcontract with the United States relating to activities at TI/YBI until such time as the Authority concludes its negotiations with the United States.

5.0 QUALIFICATIONS STATEMENT

To respond to this RFQ, a Candidate must submit a Statement of Candidate's Qualifications (a "Qualifications Statement") on or before the submission deadline (the "Submissions Deadline") set forth in Section 6 of this RFQ. The Qualifications Statement must be signed by a person authorized to bind the Candidate to the representations, commitments and statements contained in the Qualifications Statement. The Qualifications Statement must contain the information and documents described below.

5.1 GENERAL QUALIFICATIONS

- Description of Candidate. A description of the Candidate's organizational structure (e.g., corporation, partnership, Limited Liability Company), location of offices and of key staff who will be assigned to the work, the jurisdiction in which Candidate is organized and date of such organization. If the Project Team consists of more than one firm, this information should be provided for each firm. (2 pages maximum per firm)
- Authorized Representative. The name, address, telephone number and facsimile number of the person authorized to represent the Candidate with respect to all notices, negotiations, discussions and other communications relating to this RFQ, to any further selection process and to any negotiations relating to the Contract. (1 page maximum)
- Representation re Goodstanding, Licenses, Etc. A representation that the Candidate is in good standing in the State of California and has all necessary licenses, permits, approvals and authorizations necessary in order to perform the Work and conduct the Candidate's business. If the Project Team consists of more than one firm, this information should be provided for each firm. (1 page maximum per firm)
- Representation re City Contracting Requirements. A representation that the Candidate is able and willing to comply with all of the contracting requirements described in Section 8 of this RFQ. (1 page maximum)
- Staffing. An organization chart identifying: (i) the general project manager for the Work; (ii) each key staff person who would be assigned to carry out the Work; and (iii) the role each key person will play in performing the Work. If the Project Team consists of more than one firm, the roles of each firm should be clearly specified. (3 pages maximum) Resumes should be provided in an appendix for the general manager and each key person.
- References. The Candidate can supplement the client references for the completed projects with up to four additional references. The list of references should include the name, address and telephone number of each reference, and a brief description of why the Authority would value the opinion of the reference. Include permission for the Authority to contact such clients upon receipt of the Qualifications Statement. (2 pages maximum)
- Financial Statements. An audited balance sheet and the related statement of income and cash flows for each of the 3 most recent full fiscal years of the Candidate, certified by a reputable accounting firm as accurately presenting the financial position of the Candidate, in accordance with generally accepted accounting principles. In addition, include an

unaudited balance sheet and the related statement of income and cash flows for the current fiscal year of the Candidate.

- Previous work at TI/YBI. For purposes of identifying potential conflicts, provide a brief description of the scope of work for each and every contract or subcontract with the United States performed by the Candidate that involves activities at TI/YBI.

5.2 NON-TECHNICAL AND ENVIRONMENTAL INSURANCE EXPERIENCE

- Non-Technical Experience. A description of the Candidate's experience that clearly addresses each of the seven non-technical areas identified in Section 4. The Candidate should provide specific examples to demonstrate experience. (10 pages maximum)
- Environmental Insurance. Each Candidate should: (1) identify the insurance broker that will work with the Candidate to facilitate procurement of appropriate environmental insurance coverage; and (2) propose a general approach to procurement and structuring of the appropriate environmental insurance coverage with Authority participation. Include a description of (1) the broker's relevant experience and credentials, a description of similar environmental insurance transactions negotiated by the broker, and references for the broker; and (2) the Candidate's prior use of environmental insurance coverage to support a guaranteed fixed-price contract. (3 pages maximum)

5.3 TECHNICAL EXPERIENCE

A description of the Candidate's experience in each of the seven technical areas identified in Section 4. The Candidate should provide specific examples to demonstrate experience. (8 pages maximum)

5.4 COMPLETED PROJECTS

A specific description of not more than four projects completed by the Candidate, which are similar to the Work. Completed projects should demonstrate non-technical, technical, and environmental insurance experience described above. Include a narrative project summary, project budget and schedule, client references that are available to be contacted by the Authority and their telephone numbers, and Candidate staff members who worked on each project with their areas of responsibility. (8 pages maximum)

In addition, list all contracts held with the City and County of San Francisco (the City), the Authority and the San Francisco Redevelopment Agency (SFRA) in the previous 5 years from the date of this RFQ, including contract number, a brief description of the work and the name and telephone number of the City, Authority or SFRA contact. (2 pages maximum)

5.5 COMPENSATION PROPOSAL.

The proposed not-to exceed amount for Phase I work, and a proposed method for compensating Candidate for Phase II work. (3 pages maximum)

6.0 ORIENTATION, SUBMISSIONS, AND SELECTION PROCESS

6.1 ORIENTATION MEETING

Candidates are strongly encouraged to attend a pre-submission orientation meeting on March 28, 2003 at 10:00 AM to be held at Treasure Island, Casa de la Vista (Building 271 on Avenue of the Palms). Questions raised at the orientation meeting will be answered orally at the meeting.

6.2 TIME AND PLACE FOR SUBMISSION OF QUALIFICATION STATEMENTS

Each Candidate shall submit 15 copies, double-sided, of its Qualifications Statement in a sealed envelope. Qualifications Statements must be received no later than **Noon on April 22, 2003**. Qualifications Statements may be delivered in person or sent via courier or U.S. mail to:

Stephen Proud
Deputy Director, Treasure Island Development Authority
410 Palm Way, Building 1
San Francisco, CA 94139

Other means of transmission (including facsimile) will not be accepted.

6.3 EVALUATION PROCESS

The Qualification Statements will be evaluated by a selection committee. At any time during the evaluation process the Authority may require a Candidate to provide oral or written clarification of its Qualification Statement. The selection committee will review the Qualifications Statements and select Candidates to be interviewed. Upon completion of the interviews, the selection committee will recommend a Candidate to the Treasure Island Development Authority.

The selection committee will give weight to the Qualification Statements of Candidates as shown below:

- General Qualifications—15%
- Non-Technical and Environmental Insurance Experience (includes completed projects)—40%
- Technical Experience (includes completed projects)—40%
- Compensation Proposal—5%

If the Candidate is invited to an oral interview, the selection committee will adopt similar selection criteria to those listed above.

DISADVANTAGED AND LOCAL BUSINESS ENTERPRISE PROGRAM

Declaration of Policy. It is the policy of the Authority that Disadvantaged Business Enterprises (DBEs), of which minority and woman owned business enterprises are included, and Local Business Enterprise (LBEs) shall have the maximum feasible opportunity to participate in the performance of contracts financed in whole or in part with City and County funds. The Authority and its employees and agents shall not discriminate on the basis of race, national

origin, color, religion, sex, sexual orientation, gender identity, age or disability in the award and performance of any Authority contract. The Authority shall make every effort to solicit bids and proposals from DBEs in awarding contracts.

A Disadvantage Business Enterprise is defined as a LBE which is a socially and economically disadvantaged business which is an independent and continuing business for profit, performs a commercially useful function, and is owned and controlled by one or more economically disadvantaged persons. The aggregate ownership or control of the DBE must equal or exceed 51% of the business and whose average gross receipts in the three fiscal years immediately preceding its application for certification as a DBE does not exceed the following annual limits: 1) Public Works/Construction - \$14 million; 2) Goods, Materials, Equipment and General Service suppliers - \$2 million; 3) Professional Services - \$2 million. It shall be based upon economic threshold and not race or gender.

Applicability of DBE and LBE Policy. The policy in favor of LBEs and DBEs shall apply to all contracts for construction and public works, personal services and consulting contracts and supply of goods, by applying bonus points or percentages to the responses of DBEs and LBEs to solicitations under competitive sealed bid or competitive negotiation processes, as follows:

- (i) A 5 point or percentage bonus will be awarded to (i) a LBE, or (ii) a joint venture with a DBE where DBE participation equals at least 35%, but is less than 40%; or
- (ii) A 7.5 point or percentage bonus will be awarded to a joint venture with a DBE where DBE participation equals or exceeds 40%, but is less than 51%; or
- (iii) A 10 point or percentage bonus will be awarded to (i) a DBE or (ii) a joint venture with a DBE, where DBE participation exceeds 51%.

6.4 SCHEDULE

The following schedule sets forth the timetable for the selection of a Successful Candidate.

Issuance of this RFQ	March 17, 2003
Orientation Meeting	March 28, 2003, at 10:00 am
Submission Deadline for Qualification Statements	April 22, 2003, at 12:00 noon
Notification for Interviews	April 30, 2003
Interviews	May 5, 2003
Recommendation to TIDA Board	May 8, 2003

7.0 TERMS AND CONDITIONS GOVERNING THIS RFQ

Notwithstanding anything to the contrary contained in this RFQ or in any material given or statement made in connection with this RFQ, the following terms and conditions shall govern:

A. Invitation to Submit Qualifications: No Obligations by Authority to Contract.

This RFQ is only an invitation to submit qualifications and does not commit the Authority in any way to enter into an agreement with a Candidate. In addition, the issuance of this RFQ does not obligate the Authority to pay any costs whatsoever incurred by any respondent in connection with:

1. The preparation and presentation of a qualifications;
2. Any supplements or modifications of this RFQ; or
3. Negotiations with the Authority or other party arising out of or relating to this RFQ or the subject matter of this RFQ.

B. Candidate Information.

Candidates who request and receive copies of this RFQ must provide the following information to the Authority: name of Candidate, name of contact person for Candidate and the address, telephone number and facsimile number of such contact person. Each Candidate shall be responsible for notifying the Authority (at the address specified in Section {?} of this RFQ) in writing of any changes in such information. Any such notice must specifically reference this RFQ.

C. Questions Regarding this RFQ.

Candidates are strongly encouraged to raise any questions they may have regarding this RFQ at the orientation meeting. Any questions regarding this RFQ that are not raised at such meeting must be presented to the Authority in writing at the address set forth in Section 2.0 of this RFQ. No questions regarding this RFQ will be accepted after *April 11, 2003, 5:00pm, PST*. If any answer constitutes, in the opinion of the Authority, a material addition to or modification of this RFQ, such answer will be confirmed in a written amendment to this RFQ.

D. Addenda to this RFQ.

The Authority may modify this RFQ by issuing a written addendum prior to the Submission Deadline. The Authority will notify each Candidate of any such addendum by transmitting a copy to the most recent address or facsimile number of such Candidate provided pursuant to Section 7.0 (B) of this RFQ.

E. Amendment by Candidate of Qualification Statement.

A Candidate may amend its Qualification Statement at any time before the Submission Deadline. Such amendment shall be made by submitting a new Qualification Statement in its entirety (regardless of the scope of the amendment), with the amended portions marked or highlighted.

Such new Qualification Statement shall be submitted prior to the Submission Deadline in the same manner as otherwise required herein for Qualification Statements.

F. Reservation of Rights by Authority

The Authority expressly reserves the right at any time and from time to time, and for its own convenience, in Authority's sole discretion, to do any or all of the following:

1. Waive or correct any immaterial defect or technical error in any response, as part of this RFQ;
2. Reject any and all submittals, without indicating any reason for such rejection;
3. Request that certain or all respondents to this RFQ supplement or modify all or certain aspects of the information submitted;
4. Reissue a Request for Qualifications or other solicitation of interest, qualifications or proposals;
5. Modify the selection procedure;
6. Extend deadlines for accepting responses or request amendments to responses after expiration of deadlines;

G. Submission as a Public Record

Generally, all documentation, including financial information, submitted by any respondent to the Authority are public records under state and local law, including the City's Sunshine Ordinance. The respondent will clearly designate those financial records which it in good faith determines to be a trade secret or confidential proprietary information protected from disclosure under applicable law. To the extent permitted by law, the Authority will attempt to reasonably maintain the confidentiality of such financial information, consistent with the Authority's general practices for maintaining the confidentiality of such information. However the Authority will not under any circumstances be responsible for any damages or losses incurred by a respondent or any other person or entity because of the release of such financial information.

H. Return of Materials

The Authority will not return submittals unless the respondent has properly designated financial portions of the submittal as confidential at the time of submittal in accordance with the terms above and has then clearly requested that such information be returned, and provided that the Authority is legally permitted to return such documents.

I. No Conflicts of Interest

By submitting a Statement of Qualifications, respondent certifies to the Authority that it has not paid nor agreed to pay and will not pay or agree to pay any fee or commission or any other thing of value contingent on the award for this RFQ to any City or Authority employee or official, or to any contracting consultant hired by the Authority or City for purposes of this project.

The Authority reserves the right to disqualify any submission on this RFQ on the basis of any real or apparent conflict of interest that is disclosed by the responses submitted or other data available to the Authority. Such disqualification shall be at the sole discretion of the Authority.

J. Compliance with RFQ

All submissions shall comply with the conditions, requirements, and specifications contained herein. Any departure constitutes sufficient cause for rejection of the submittal, subject to the Authority's sole discretion.

K. Responsible Respondents

No submission will be accepted from any person, firm, partnership, corporation or other entity that is in arrears upon any obligation to the City or the Authority or that the Authority, in its sole discretion otherwise deems irresponsible, unreliable or unqualified.

L. No Claims Against Authority or City

Respondent shall not obtain by its response to this RFQ any claim against the Authority or the City by reason of any or all of the following: any aspect of this RFQ, the selection process or any part thereof, any informalities or defects in the selection process, the rejection of any offer or all such offers, the acceptance of any offer, any statement, representations, acts or omission of the Authority or the City, the exercise of any discretion set forth in or concerning any of the foregoing; and any other matters arising out of all or any of the foregoing.

Without limiting the generality of the foregoing, the information presented in or in connection with this RFQ is provided solely for the convenience of interested parties. It is the responsibility of interested parties to assure themselves that any information contained in or related to this RFQ is accurate and complete. No representations, assurances, or warranties pertaining to the accuracy of such information are or will be provided by the Authority or the City or its consultants and no claim may be brought against the Authority or City or any of its consultants as a result of the presentation of such information, irrespective of its accuracy, completeness or general utility.

M. Grounds for Rejection

Any false, incomplete, or otherwise unresponsive statements in connection with a submittal may be cause for its rejection at the Authority's sole discretion. Any judgment as to the significance of any falsity, incompleteness, or unresponsiveness associated with a submittal shall be the prerogative of the Authority and its judgment shall be final. The Authority reserves the right to waive in any submittal minor defects or irregularities.

N. Candidate's Obligations Under the Campaign Reform Ordinance

All Candidates must comply with Section 16.510-2 of the San Francisco Administrative Code, which states:

No person who contracts with the City and County of San Francisco, for the rendition of personal services, for the furnishing of any material, supplies or equipment to the City, or for selling any land or building to the City, whenever

such transaction would require approval by a City elective officer, or the board on which that City elective officer serves, shall make any contribution to such an officer, or candidates for such an office, or committee controlled by such officer or candidate at any time between commencement of negotiations and either the completion of, or the termination of, negotiations for such contract.

If a Candidate is negotiating for a contract that must be approved by an elected local officer or the board on which that officer serves, during the negotiation period the Candidate is prohibited from making contributions to:

- The officer's re-election campaign
- A candidate for that officer's office
- A committee controlled by the officer or candidate

The negotiation period begins with the first point of contact, either by telephone, in person, or in writing, when a contractor approaches any city officer or employee about a particular contract, or a city officer or employee initiates communication with a potential contractor about a contract. The negotiation period ends when a contract is awarded or not awarded to the contractor. Examples of initial contacts include: (i) a vendor contacts a city officer or employee to promote himself or herself as a candidate for a contract; and (ii) a city officer or employee contacts a contractor to propose that the contractor apply for a contract. Inquiries for information about a particular contract, requests for documents relating to a request for proposal or a request for qualifications, and requests to be placed on a mailing list do not constitute negotiations.

Persons who knowingly or willfully violate section 16.510-2 are subject to a fine of up to \$500 and a jail term of six months, or both. (San Francisco Administrative Code Section 16.515(a)). Persons who negligently violate section 16.510-2 are subject to a civil penalty of up to \$500. (San Francisco Administrative Code Section 16.515(b)).

Any questions regarding this ordinance should be directed to the San Francisco Ethics Commission at (415) 554-9510.

8.0 CITY CONTRACTING REQUIREMENTS

In order to be selected as a Qualified Candidate, the Candidate must be willing to comply with the following requirements with respect to the Contract:

(a) Form and Content.

The Candidate must be willing to enter into a written agreement that is substantially in the form of the Agreement for Professional Services attached as *Appendix A*.

A. Business Tax Registration.

At the time the Contract is executed, the Qualified Candidate in question must have a current and valid San Francisco Businesses Tax Certificate. This certificate can be obtained by properly submitting to the City's Tax Collector a completed Business Tax Registration Declaration and paying the \$200 registration fee. The current form of such declaration is attached as *Appendix B*.

Notes

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AGENDA ITEM
Treasure Island Development Authority
City and County of San Francisco

Subject: Evaluation of the Response to the Focused
Request for Proposal Prepared by Treasure
Island Community Development for the
Redevelopment of Former Naval Station Treasure Island

Agenda Item No. 9
Meeting of March 12, 2003

Resolution Authorizing the Executive Director to
Commence Exclusive Negotiations and Prepare
An Exclusive Negotiating Agreement with
Treasure Island Community Development for the
Redevelopment of Former Naval Station Treasure Island

Contact/Phone: Annemarie Conroy, Executive Director
Stephen Proud, Director of Development
274-0660

BACKGROUND

On June 14, 2000, the Authority authorized the issuance of a Request for Qualifications for a Primary Developer ("Primary Developer RFQ") for former Naval Station Treasure Island. On October 27, 2000, staff issued approximately 500 copies of the Primary Developer RFQ to interested parties. Staff held a pre-submittal meeting on Treasure Island on December 5, 2000 to address questions from potential respondents regarding the RFQ process. Submittals for the RFQ were due to the Authority office on February 1, 2001. On that date, the Authority received two responses to the RFQ, which were distributed to the Authority Board members for review. The two responses were from Navillus Associates and Treasure Island Community Development ("TICD").

On July 11, 2001, staff presented the findings of an independent review of the two proposals that concluded that TICD met the evaluation criteria set forth in the RFQ and was thus qualified to proceed to the proposal stage, but that Navillus did not meet the evaluation criteria.

Given the low response rate to the RFQ, the Authority directed staff to conduct a brief study to assess the possible reasons for the lack of developer interest and make recommendations regarding how to proceed. On September 12, 2001, staff presented the findings of a report prepared by Bay Area Economics that concluded there are no 'quick fixes' the Authority can undertake to improve the development climate at Treasure Island. To avoid delay and to better assess whether proceeding with TICD's best achieves the Authority's goals, the Authority authorized staff to proceed with the original solicitation process by preparing a focused Request for Proposal ("RFP") for the Board's consideration.



On April 10, 2002, the Authority reviewed the focused RFP and authorized staff to issue the document to Treasure Island Community Development. The RFP was developed via an unprecedented public process that included numerous meetings with the Authority Board, members of the Treasure Island Citizens Advisory Board, and comments provided by organizations, individuals and government agencies. The focused RFP was issued to TICD on April 15, 2002.

On July 2, 2002, TICD submitted its initial response to the RFP to Authority staff (the "Draft Proposal"). Copies of the Draft Proposal were provided to the Authority Board, members of the Treasure Island Citizens Advisory Board, the San Francisco Board of Supervisors, and interested members of the public. TICD made presentations of the Draft Proposal at several public meetings held in San Francisco and on Treasure Island to solicit input from the public. In addition, the Treasure Island/Yerba Buena Island Citizen's Advisory Board (the "CAB") held 16 meetings to discuss the Draft Proposal and prepare comments that were forwarded to the Authority Board.

On January 2, 2003, TICD submitted its revised proposal for the Authority's consideration. A copy was sent to the Authority Board and the members of the CAB for their review. The CAB and its subcommittees have held several meeting to review the proposal and they will provide their comments under separate cover to the Board. The staff has met both individually and collectively with the consultant team to evaluate the proposal in the context of the criteria set forth in the RFP. The following sections summarize staff's and the consultants' analysis and findings. A recommended action is also presented for the Authority's consideration.

RFP EVALUATION CRITERIA AND ANALYSIS

The RFP sets forth three broad subject areas for evaluating the proposal set forth by the TICD.

1) Project Feasibility and Timing

These criteria consider the feasibility of TICD's proposed Development Concept and the likely time frames for completion of the Project.

Financial and Market Feasibility.

- *Financial capacity and adequacy of working capital of the respondent to cover initial capital expenditures and operating costs through development.*

Analysis: Based on the information submitted in the RFQ phase and evaluated by Keyser Marston Associates, TICD has provided adequate evidence of sufficient financial capacity to under take the project. The pro forma submitted by TICD indicates that significant capital investment will be required in the early years of the project (in excess of \$26 million) and proposal indicates that TICD plans to provide those funds as an equity contribution.



- *Diversity of revenue generating uses.*

Analysis: The land use program provides a range of uses that will provide revenue to the project. Proceeds will be derived from sale of residential units, rental income from residential units and lease proceeds from commercial uses on the island. Staff recommends that during the negotiation process, TICD should describe in greater detail the types of non-residential uses that will be developed at the Base.

- *Reasonableness of market assumptions underlying the Pro-Forma.*

Analysis: There are many financial assumptions that feed into the development of a pro forma for a project as complex as the redevelopment of Treasure Island. At the level of detail provided in the proposal, the financial assumptions appear reasonable. Input from the consultant team reviewing the proposal indicates that the price points for the residential and commercial lease rates, as well as the market rate for sale residential products appear to be reasonable. The consultant review suggests the absorption period set forth in the proposal appears aggressive and the Board has indicated the desire to see how the pro forma is affected by a longer build-out and absorption period. In response TICD submitted a 20 year pro forma that indicates an increase in the internal rate of return on the project from 28% to 42.1%. It is important to note that TICD's final rate of return will differ considerably depending on the nature of the transaction structure and that any proceeds in excess of a reasonable return rate may be used for community benefits and other public purposes.

- *Reasonableness of TICD's expected returns.*

Analysis: TICD's 12 year pro forma indicates a 28% Internal Rate of Return (IRR) for the project. Given the significant upfront investment required for the project and the negative cash flow for many years, it is not uncommon for projects of this nature to seek a return in the range of 25% to attract a developer. Accordingly, TICD's expected return is in a reasonable range; however, a detailed pro forma based negotiation process will provide a transaction structure and final return that is commercially reasonable and will reflect the relative contribution and risks for both TICD and the Authority.

- *Feasibility of proposed public financing mechanisms.*

Analysis: The TICD proposal employs two public financing mechanisms: housing lease revenue bonds and tax increment bonds. These are same mechanisms used in the Authority's Business Plan prepared as part of the Economic Development Conveyance application to the Navy, and they appear to be reasonable. It is important to note that TICD has assumed a much shorter term for the revenue stream from the housing and thus the value of this revenue stream to the project is reduced from what the Authority project as part of its EDC application.

- *Reasonableness of TICD's cost estimates.*

Analysis: TICD has provided a cost estimate of \$397.6 million for the 12 year build-out period. Approximately 50% of these costs are related to infrastructure



improvements to the Island. The costs associated with shoreline stabilization, roadway and utility improvements are lower than those projected in Authority's EDC application. However, based on the conceptual level of planning presented in the proposal, the cost estimates appear reasonable. As negotiations on the project proceed, the costs estimates will need to be refined to better reflect the true costs of the project. It is important to note that although TICD is providing some operating and capital funds for alternative transit modes (notably ferry service), the dollars allocated to this expense do not fully offset the cost of providing ferry service to the Island. TICD has projected the unfunded portion of that operating expense to be approximately \$3.1 million annually at the completion of Phase I – declining to \$2.2 million annually at build-out. Sources of funding for that will need to be further addressed in negotiations.

- *Appropriateness of the proposed transaction structure.*

Analysis: Staff believes that TICD's initial proposed financial structure – basically a 50-50 split of project profits after TICD has earned a 25% return – is too simplistic, particularly in light of the significant contribution TIDA will be making to the project in terms of both land, financing, and its own pre-development "equity" contributions. Any appropriate transaction structure must acknowledge TIDA's contribution of resources by providing for a reasonable return to TIDA on its "investment" before TICD receives all of its entire sought after return. Whether or not TICD is entitled to (or will ever in fact receive) a 25% return on its pre-development expenditures depends on a number of risk-related factors, including the way in which the final transaction structure prioritizes the parties' respective returns. (Stated differently, the earlier and greater the priority of return, the lower the rate of return.)

Staff understands that it is impracticable to try to identify a final appropriate transaction structure (given its complexity) as part of a proposal process. Many months of intensive pro-forma based negotiations and corresponding project refinements will be required. TICD agrees with staff's position and has indicated a willingness to work with staff to negotiate a transaction structure that reflects the principles articulated above.

- *Adequacy of proposed financial assurances.*

Analysis: Section B.4 of the RFP required TICD to provide the Authority with adequate assurances that TICD has the financial wherewithal and commitment to fulfill its financial, indemnity and performance obligations to the Authority. In its comments on TICD's draft proposal, Authority staff indicated that TICD's inclusion of a letter from a surety company and a copy of a pro-forma surety policy in the draft response did not adequately address these requirements for financial assurances. Rather, TICD was specifically instructed that it could satisfy the financial assurances requirements of the RFP by, among other things, affirmatively indicating in its final proposal that Lennar (the publicly traded company whose financial resources formed the basis of Keyser Marsten's determination that TICD had the financial capabilities to develop this project)



would guarantee certain obligations of TICD that are not otherwise addressed through commercially reasonable credit enhancement tools like performance bonds, insurance, and letters of credit. TICD has made that affirmative indication in its final response to the RFP, and thus has satisfied this criterion. As a first (of what will need to be many) tests of this principle, the proposed Exclusive Negotiating Agreement between the Authority and TICD will require Lennar to guarantee TICD's obligations under the ENA.

Regulatory Feasibility.

- *Tidelands Trust considerations and/or reasonableness of any proposed Tidelands Trust exchanges.*

Analysis: The proposal set forth by TICD contemplates “lifting” the Tidelands Trust designation from portions of Treasure Island proper and placing the Trust designation onto portions of Yerba Buena Island. Under the terms of the RFQ, the Authority indicated that proposals for the redevelopment of Treasure Island could include a trust exchange and that such an exchange could assume an acre for acre exchange.

In response to the initial proposal provided by TICD, the California State Lands Commission (“SLC”) suggested changes to TICD’s land use plan that would improve the likelihood of executing a trust exchange. TICD responded to those comments by: (i) improving the balance of uses, with residential uses now comprising only 20% of the project; (ii) expanding the area of open space along the western shoreline from 150 feet to a minimum of 200 feet; (iii) creating a new 7-acre park along the western shoreline; (iv) pushing residential uses further into the interior of the island; (v) programming additional public uses along the western shoreline, including new retail uses; (vi) including a new roadway along the western shore to provide greater public access and eliminate the need to walk through residential areas to reach the shore; (vii) pulling housing back from the eastern shoreline and created a new park along the eastern shore; and (viii) clustering residential development on Yerba Buena Island to provide greater access to areas designated a trust recipient sites on YBI.

The revisions outlined above all represent positive changes to the plan that improve the overall configuration of a proposed trust exchange, and staff believes they provide an adequate basis for further negotiations with the SLC. Staff recommends immediately reconvening discussions with the SLC staff (as part of the exclusive negotiations process) to insure future comments from the SLC are adequately incorporated early the planning process and development.

- *Applicable BCDC Bay Plan designations.*

Analysis: BCDC recently adopted an amendment to the Bay Plan that allows for some limited commercial and residential uses in Waterfront Park Priority areas on closing military installations. TICD was briefed on the changes to the Bay Plan and their proposal includes many of the elements included in the revision. Specifically, TICD’s proposal includes a large park near the top of YBI, protection of sensitive habitat areas, and an integrated trail system over much of



YBI with vistas at strategic locations that provide unparalleled views of the Bay. Staff will continue to work with TICD and BCDC staff to insure any proposed development plan is consistent with the provisions of the Bay Plan.

- *Federal base closure requirements of an Economic Development Conveyance, including job generation and inclusion of new housing only to the extent necessary to achieve "financial feasibility".*

Analysis: TICD has made revisions to the land use plan to program some of the areas previously identified as flex space with commercial uses that will improve the overall employment at the Base. TICD has projected a total of approximately 2,400 jobs on TI/YBI at build-out of the project. This is more than double the number of employees at the Base at time of closure, and should represent a sufficient number of new jobs to qualify the project for an Economic Development Conveyance from the Navy.

- *Pending environmental review of the Reuse Plan under NEPA and CEQA.*

Analysis: The EIS/EIR process set forth a series of development alternatives, based on the Reuse Plan, that are considered for their possible impacts on the environment. TICD's proposal is consistent with the development envelopes under consideration in the environmental review process and the Reuse Plan, and is therefore consistent with this criterion.

- *Provisions of California Redevelopment Law.*

Analysis: The proposal is consistent with the provisions of California Redevelopment Law.

- *Other regulatory requirements applicable to the reuse and redevelopment, such as those administered by the Regional Water Quality Control Board, the Army Corps of Engineers, the Department of Toxics Substance Control, etc.*

Analysis: The proposal is consistent with existing regulatory requirements. As the property transfer process proceeds, it is likely that various regulatory agencies will place land use controls on the property which may limit the range uses. Authority staff will work with various regulatory agencies and TICD to insure any development program is consistent with those requirements.

Technical Feasibility.

- *Provision of new infrastructure and utility systems, including electric, gas, telecommunications, potable water, storm-water, and wastewater treatment systems.*

Analysis: The proposal includes plans to replace all of the existing backbone utility systems at TI/YBI with a combination of new systems and renovations to key components of existing systems. With regard to the specific systems:

- Water: The proposal calls for the replacement of the entire water delivery system and an increase in water storage capacity for fire protection purposes.



- Wastewater: The proposal assumes that wastewater will be pumped off island and treated at the East Bay Municipal Utility District (EBMUD) facility in Oakland. Staff provided this input to TICD and thus feels it is an acceptable assumption for the proposal; however, based on input from the TI/YBI CAB and from the San Francisco Public Utilities Commission (SFPUC) staff, additional analysis will need to be conducted to determine if this approach provides the greatest overall benefit to the project as compared to on-site treatment options.
- Storm Water: TICD has proposed a unique approach to the treatment of storm water on the Island. With the exception of proposed Clipper Cove district, all storm water from the Island will be delivered to storm water treatment wetlands on the north east portion of the Island. This approach is designed to improve the quality of the storm water that is ultimately discharged to the Bay. SFPUC has indicated that the construction of treatment wetlands will require additional studies to identify achievable treatment levels, address construction issues and the impact of any environmental contamination, assess maintenance and operations issues (e.g., potential mosquito problems), and gain regulatory approval from the Regional Water Quality Control Board (RWQCB).
- Electric: TICD proposes replacement of the entire electrical distribution system on the Island and placement of the new utilities underground. In the near term, the Authority will need to address the need for secondary power supply to the Island to provide a redundant source of power.
- Natural Gas: The proposal calls for a replacement of the natural gas distribution system that serves the Island.
- Telecommunications: The proposal calls for provision of conduits for telecommunication lines that will be installed by service providers.

Overall staff believes the proposal provides a sufficient level of detail for the planning of utilities on the Island and thus meets the criteria. Additional detailed planning will reveal issues that may require additional investigation and analysis.

- *Geotechnical and seismic improvements to the causeway, perimeter dike, and other related areas needed to reduce life-safety risks.*

Analysis: TICD has proposed three specific measures to address the issues associated with the geologic condition of TI/YBI. First, new construction on the Island will minimize the use of fill material and the site specific measures will be developed for new building construction on the Island. These may include well reinforced and stiffened, shallow foundations with low bearing pressures or deep foundations (such as piles). Second, measures will be implemented to improve the strength of the perimeter seawall, which will aid in the prevention of lateral spreading of soil caused by seismic events. Third, improvements will be made to prevent deep-seated slope movement in those areas of the Island that are susceptible. This may include the installation of soil-cement columns to improve the strength of recent bay sediments.



Many of the ideas proposed for seismic improvements to the Island were derived from work previously conducted for the Authority by Treadwell and Rollo, as such, staff is confident these ideas represent viable solutions for the issues at TI/YBI. However, since the physical integrity of the Island is critical to the redevelopment effort, the TI/YBI CAB has requested a peer review of the geotechnical elements of TICD's proposal. Staff feels this is an appropriate request and would recommend that action be part of any future negotiations.

- *Redesign and construction of arterial roadways and streetscapes.*

Analysis: TICD has proposed a street network that largely builds off of the existing grid pattern on Treasure Island (and the rest of San Francisco). TICD has proposed the construction of roadway network that will include extensive development of new streets and the rehabilitation of some of the existing streets on the Island. The plan includes major east-west corridors (e.g. California Avenue & 9th Street) which provide long sight lines from one side of the Island to the other and a major new roadway that loops around the interior of the Island. In response to input from the State Lands Commission, TICD has refined the plan to include a public access via a roadway on both east and west shoreline of Treasure Island.

The proposal provides conceptual cross-sections that depict how the streetscape may be developed on various types of roadways under consideration. In general, these ideas are responsive to the RFP and additional detail will be developed as part of the ongoing planning for the Island.

- *Access improvements to and from the Island.*

Analysis: TICD's proposal relies on two principal sources of alternative transit to and from the Island. The first is an increase in the bus service to the Island. Muni currently provides 24hr, 7 day a week service to the Transbay Terminal in San Francisco. TICD has indicated a willingness to work with the Authority and AC Transit to re-establish bus service to the East Bay.

In addition to bus service, TICD has proposed establishing ferry service to and from Treasure Island. This program would be developed in close consultation with the Water Transit Authority (WTA) to insure the service is consistent with the larger regional planning effort. To assist the effort to bring service to the Island, TICD has proposed capital funding of \$3 million to purchase a fuel efficient vessel(s), \$500,000 in capital funding for a ferry landing improvements on Treasure Island, and an operating subsidy of \$500,000 annually for the first 10 years of operation.

Staff feels that TICD's proposal represents a significant step forward in the provision of alternative modes of transit to the Island, and thus is responsive to the RFP. However, additional analysis and planning is necessary to refine the transportation program, including an analysis of the feasibility of locating the ferry terminal on the west side of Treasure Island.

It is important to note that the proposal set forth by TICD does not fully cover the costs (operating and capital) of providing alternative transit to and from the



Island. Although Muni service is well established, it is difficult to determine the likelihood that AC Transit and the WTA will provide operating subsidies for transit.

- *Environmental remediation of the Base by the Navy.*

Analysis: TICD's proposed land use program is largely consistent with Navy's environmental remediation program. As proposed, there are two areas which appear to be inconsistent with proposed clean-up goals: the housing on the east side of the Island and the proposed tidal wetlands on the north end of the Island. Staff will work with TICD to evaluate these long term uses and will seek to find ways to integrate the development and remediation programs. To the extent some of the clean-up goals can be achieved through the "Early Transfer" process with the Navy, staff will work with TICD to identify those opportunities. TICD has indicated that their business proposal includes \$5 million for any environmental remediation work that may be necessary above and beyond the proposed Navy program.

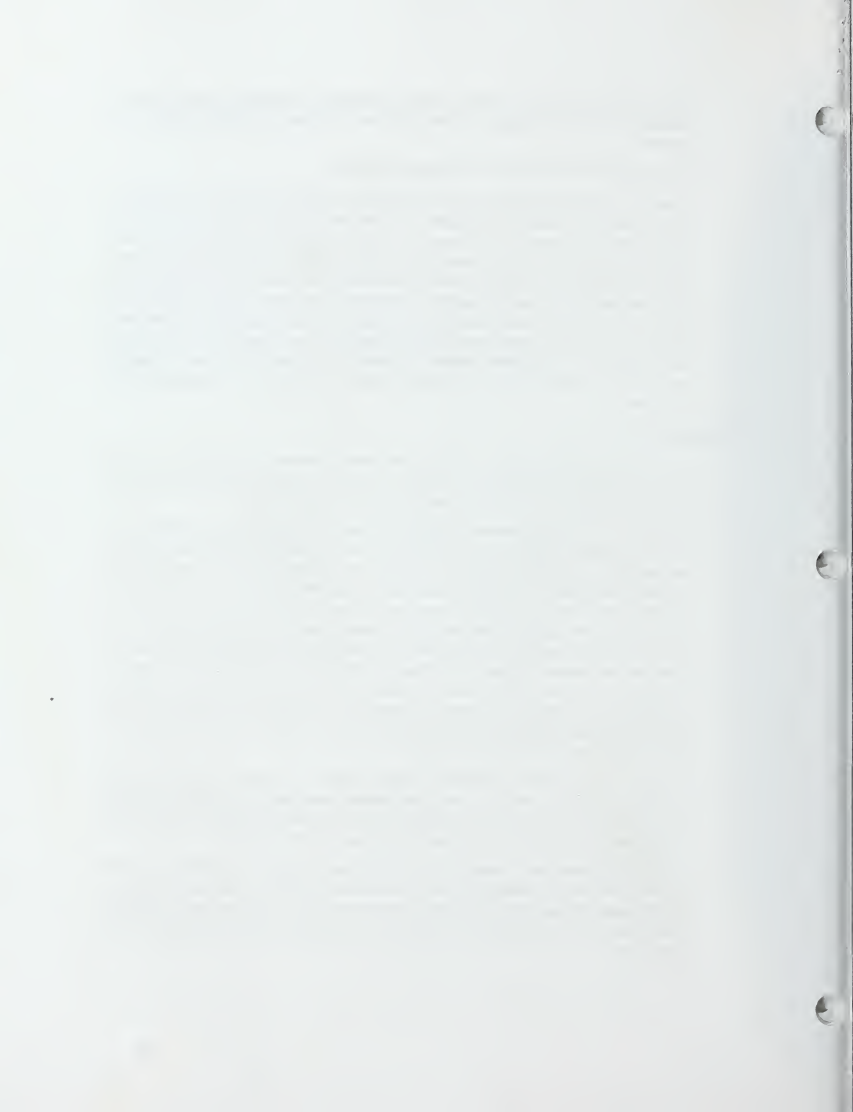
Phasing/Timing.

- *Timeline for implementation of the Development Concept, including how quickly the respondent's Development Concept will cause seismic strengthening of key areas of the Base, including the causeway and perimeter dikes.*

Analysis: The TICD proposal calls for an overall development timeline of 12 years for project build-out. Staff feels this is an aggressive timeline for a project as complex as Treasure Island, but believes the three individual phasing plans appear reasonable. In the First Phase, TICD proposes extensive renovations and replacement of existing utility systems and primary roadways, stabilization of the entire perimeter of the Island and the Causeway, the development of the storm water treatment wetlands, development of commercial and residential uses on the western and southern edges of the Treasure Island and on YBI, improvements to roadway system on YBI, the development of core recreational uses, and the rehabilitation of historic structures. In particular, staff feels that completion of the entire perimeter stabilization of the Island in the First Phase of development is a significant benefit of TICD's proposal.

During the Second Phase, additional improvements will be made to the utility and roadway systems to support new development, new residential and commercial development will occur on the eastern side of Treasure Island, and additional open space and recreational elements of the plan will be developed.

The Third Phase will complete the development program at TI/YBI and will include the final residential and commercial development of the eastern side of the Treasure Island, the demolition and deconstruction of the existing residential units, and the completion of the open space program, including the proposed tidal wetlands.



- *Ability to implement the Development Concept with minimal interruption to existing uses and occupants, including residents.*

Analysis: Staff feels that while much more detailed plans will be required, the phasing program has been developed in manner that will result in the least disruption to existing uses, including residents. Development in the early phases is programmed for areas that are either currently unoccupied or have very few tenants. Some of the existing uses, such as the elementary school, the day care center, the Delancey Street Life Learning Academy, and the Job Corps have been incorporated into the overall land use plan. The most disruptive activity related to the development program is the demolition and deconstruction of the existing residential units. TICD has programmed this for the last phase of development to insure new housing options are available for residents (market rate and TIHDI) who wish to continue living on the Island.

- *Overall viability of and schedule for implementing respondent's Development Concept, including the use of incremental or phased development to maximize land value.*

Analysis: As noted earlier, staff feels the proposed timeline for development is aggressive, but that TICD has prepared a balanced approach to the overall phasing of development. By providing substantial infrastructure improvements (including seismic strengthening) in the first phase of the program, TICD is providing an overall increase to the land value and providing a sufficient base for future phases of development on the Island.

2) Land Use Plan/Urban Design

These criteria consider whether TICD's Development Concept meets the land use objectives set forth in the Reuse Plan.

- *Creates a broad mix of mutually supportive, publicly oriented uses, with an emphasis on recreation, cultural, educational and entertainment uses that appeal to local and regional residents and tourists.*

Analysis: The proposal provides a range of uses that are supportive of each other and provide a mix of public oriented spaces. The proposed uses include retail, hospitality, film production, cultural, educational, public facilities, active recreation sites, trails, open space, and residential uses. These uses have been programmed to provide opportunities for local residents to explore and visit the Island, as well as serving as an attraction for regional residents and tourists. Staff feels the overall land use program satisfies this criterion.

- *Provides for land uses that are compatible with each other and existing uses throughout all phases of development.*

Analysis: A review of the proposed land use program does not indicate any land use conflicts associated with new development or with existing uses on the Island. As noted above, the phasing program is structured in manner whereby



development in the early phases occurs in areas that are unoccupied or underutilized. The proposed land use plan retains many existing uses including the Delancey Street Life Learning Academy, the San Francisco Unified School, the San Francisco Sailing Center, Job Corps, the day care center, the gymnasium, and the chapel. The residential development program provides for new units to be constructed prior to the demolition or deconstruction of existing units; thus providing an opportunity for island residents to continue living on the Island.

- *Preserves structures and places of historic significance and architectural interest.*

Analysis: The TICD proposal preserves all Buildings and areas of significant historic or architectural interest, and thus the proposal meets this criterion. In response to input from the TI/YBI CAB, TICD is proposing to retain both the gymnasium and the chapel for future reuse.

- *Affordable housing units comprise 30% of total housing inventory and units are available to all income ranges and the housing program satisfies the provisions set forth in the TIHDI agreement.*

Analysis: TICD's proposed affordable housing program would provide 927 replacement and new affordable housing units (33% of the housing total). These units would include replacement units for the existing TIHDI units, development sites for new TIHDI units, new units which would be developed by TIDA ("Agency Units"), and inclusionary units developed as part of the market rate program.

TICD has proposed funding the affordable housing program with a variety of funds, including:

- Housing Set Aside Funds from Property Tax Increment;
- Low Income Housing Tax Credit proceeds;
- Supportable Debt; and
- Housing Impact Fees

With TIHDI's assistance, staff has reviewed the proposed affordable housing program and finds it consistent with the criteria set forth in the RFP. The above statement notwithstanding, affordable housing finance is a complex subject that requires specialized knowledge and intensive analysis. In reviewing the details of the affordable housing program, key issues were identified that will need further refinement as part of the negotiation for a Disposition and Development Agreement (DDA).

First, recognizing that capital financing options for transitional housing programs are very limited, TICD should demonstrate how it would fund the replacement of these units. TICD should assume that these units will not support debt and tax credit equity.

Second, the current pro forma overly relies on Section 8 and 9% low income housing tax credits which are limited and highly constrained sources of funding.



Given these limitations, the pro forma should be revised to reflect a reduced reliance on these sources of income.

Third, TICD should investigate utilizing tax-exempt private activity bonds with 4% tax credits for the Agency Units. While, under current rules, 30% of the units would need to be affordable to households earning no more than 50% of the area median income, this loss in revenue may be more than offset by reduced cost of debt and equity from the 4% credits.

Finally, TICD needs to review the assumptions for calculating supportable debt for the TIHDI replacement family units. TIHDI has estimated these units could support no more than \$7.5 million in debt, rather than the \$14.3 million indicated on the pro forma by TICD.

- *Improves public access to the bay, including increased waterfront recreational opportunities and uses that enliven and improve access to the water's edge.*

Analysis: The overall land use program provides increased public access to the Bay and includes recreational uses that enliven the waters edge. These include an extensive open space program that provides in excess of 250 acres of open space, which includes a shoreline promenade around the entire perimeter of Treasure Island proper, the creation of three shore side parks, and extensive wetlands on the northern end of the Island; two areas designated for sailboard activities on the north-west and north-east portions of the Island; retention of the Sailing Center which provides water-oriented recreation programs for disadvantaged youth; concentrated commercial activities along the southern shore, adjacent to Clipper Cove; additional commercial/retail activity along the western shore; and the development of ferry terminal for alternative transit to the Island. Although not part of this proposal, the overall development program for Treasure Island includes the construction of a new marina in Clipper Cove with public access to a pier and floating breakwater, which can be used to launch personal watercraft, such as kayaks.

- *Improves the appearance and identity of the Island by heightening its visibility, prominence and sense of immediacy with the rest of the City, and orienting development to take advantage of the island setting, outstanding views, and close proximity to downtown San Francisco.*

Analysis: In evaluating this criterion, it is helpful to examine some of the general policy statements articulated in Urban Design section of the Reuse Plan.

- The Plan states that the palm trees along the shoreline should be utilized to create a strong edge statement. TICD's proposal includes a plan to retain the palms.
- The Plan notes that a direct point of access should be established from the Ferry Building to Treasure Island to create a strong visual linkage to the Island. TICD has proposed establishing ferry service to the Island from the Ferry Building in San Francisco. As noted earlier, as part of the refinement of its land use concept through the negotiation process, an



analysis should be conducted to determine if ferry service to the western side of the Island is a viable option.

- The Plan calls for a continuous open corridor along the shoreline and buildings should be set back at least 100 feet from the water's edge. TICD has proposed a continuous open space corridor around the island and proposed development is set back a minimum of 200 feet.
- The Plan suggests the inclusion of landscaped spaces that open onto the water. TICD has proposed three shoreline parks immediately adjacent to the water's edge.
- The plan encourages visual corridors to the shoreline from inland areas, the maintenance of the grid pattern on Treasure Island, and the maintenance of the two primary cross-island connections – California Avenue and 9th Street. TICD has incorporated all of these elements into the urban design for Treasure Island.
- The Plan calls for the preservation of historic resources. TICD has included the preservation of all historic resources on Treasure Island and YBI.

Concern had been expressed that the waterfront development on the western side of the Island may be too regimented. Staff will work with TICD on a Design for Development Agreement that will provide opportunities for varied architectural treatments along this important corridor. Variability in building heights and massing will provide variety to the overall structural profile.

- *Maximizes public amenities such as parks and open space for passive and active recreational use and creates a continuous open corridor along the shoreline edge. Protects sensitive habitat areas from development.*

Analysis: One of the strongest aspects of TICD's proposal is the extent to which it provides an extensive program of open space for active and passive recreational use on both Treasure Island and Yerba Buena Island. Elements of the open space program include a continuous open space corridor along the shoreline edge that will provide walking, skating, bicycling, viewing and other active and passive recreation opportunities; a 10-acre park at the entrance to the Island; a 7 acre park on the western shoreline; a new 4 acre park on the eastern shoreline; storm water treatment wetlands and proposed tidal wetlands; the creation of a active recreation areas that will serve the region, including ball fields, soccer fields, and tennis courts; an open space corridor – Serpentine Park - through the interior of the Island that will serve as a collection system for storm water; an urban forest – a nursery and agricultural recycling center; a large park on the top of YBI with smaller view parks and hiking trails on the Island; and preservation of sensitive habitat areas on YBI. In total, over 50% of the project will be dedicated to open space and active recreational programming, which staff feels more than satisfies this criterion. As part of the refinement of the land use program, staff would encourage TICD to explore options to include opportunities for commercial



recreation/entertainment uses within the park areas, and to a more limited extent in the open space areas.

- *Protects hillside and shoreline open space on Yerba Buena Island and focuses open space on the water and other natural features to provide a sense of nature and visual contrast with developed portions of the Island.*

Analysis: TICD has proposed a reduction in the footprint of developed space on YBI from 13 acres to 7 acres. New construction will occur in areas that have previously been developed and therefore are not expected to impact sensitive habitat areas on YBI. Shoreline open spaces on YBI are preserved and the visual contrast between the developed Treasure Island and the largely undeveloped YBI will be maintained. In response to suggestions from BCDC and provisions outlined the Bay Plan, TICD will provide a large park near the top of YBI, smaller view parks that take advantage of the views of the Bay from YBI, loop trails that are interconnected at various elevations on the island, and adaptive reuse and preservation of historic structures.

- *Protects important biological resources and maintains and improve the quality of the surrounding natural environment, including, the creation of wetlands and open space.*

Analysis: As noted above, the proposal provides for extensive open space and protection of sensitive habitat areas and important biological resources. The proposal also includes the creation of major storm water and tidal wetlands on the north end of the Island which will provide new habitat for plants and wildlife.

- *Minimizes potential environmental impacts related to development through the use of "green building" practices. Utilizes best practices for sustainable development and resource management throughout the life of the Project. Addresses environmental factors such as wind and noise in the site, building, and street design. Promotes energy conservation and efficiency.*

Analysis: TICD has made a commitment to the use of sustainable design practices in the planning and implementation of the proposed development program, including:

- The conservation and prudent use of water resources. The proposed storm water program utilizes an innovative system of bio-swales and bio-strips to collect the storm water and transport it to treatment wetlands prior to discharging the water to the Bay.
- Reducing the development footprint on YBI to provide greater protection to the natural ecosystem that exists on the Island.
- Taking steps to provide alternative transit modes to the Island and designing an on-island transportation network that provides opportunities to travel from place to another without using an automobile.
- The concentration of development at the primary transit nodes.

Date	Description	Amount	Balance	Total
1900	Jan 1			
	Feb 1			
	Mar 1			
	Apr 1			
	May 1			
	Jun 1			
	Jul 1			
	Aug 1			
	Sep 1			
	Oct 1			
	Nov 1			
	Dec 1			
1901	Jan 1			
	Feb 1			
	Mar 1			
	Apr 1			
	May 1			
	Jun 1			
	Jul 1			
	Aug 1			
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	Nov 1			
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1902	Jan 1			
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	Mar 1			
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1903	Jan 1			
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	Dec 1			

- Commitment to incorporate “green building” and alternative energy sources (such as solar and wind) into future development on the Island.

As refinements are made to the land use plan and the Design for Development guidelines are prepared, staff expects to work closely and press TICD to maximize the sustainable design elements of the plan.

- *Minimizes automobile traffic on the Island and the Bay Bridge and provides for clean, alternative transit modes as the primary means of access, including creating viable and attractive ferry and/or other water transit services.*

Analysis: TICD has proposed several measures to help minimize traffic on the Island and on the Bay Bridge. First, TICD has committed to work with the Water Transit Authority to implement ferry service to Treasure Island. As part of the proposed business plan, TICD has included funds for the acquisition of “clean” ferry vessels, capital construction costs of a ferry terminal, and for an ongoing subsidy to offset operational costs. Second, TICD has proposed an intra-island shuttle service to provide transit options for visitors and residents on the Island. The business plan includes funds for the acquisition of four shuttle buses to provide service at 10-minute headways. Third, TICD has committed to work with AC Transit to try and re-establish regular bus service to the East Bay. Fourth, TICD has proposed an on-island bike program that would allow residents and visitors to use bikes provided by TICD to travel from place to place on the Island. Fifth, TICD propose to work with City Care Share (which has independently approached the Authority) to establish a program at Treasure Island. Finally, TICD has proposed the creation of a Transportation management Association to implement additional transportation demand strategies.

As noted earlier, staff feels that TICD’s proposal represents a significant step forward in the provision of alternative modes of transit to the Island, and thus is responsive to the RFP. It is important to note that the proposal set forth by TICD does not fully cover the costs (operating and capital) of providing alternative transit to and from the Island. Although Muni service is well established, it is difficult to determine the likelihood that AC Transit and the WTA will provide operating subsidies for transit.

One of the most significant issues associated with limiting automobile traffic on the Island is the number and location of parking spaces provided in the development proposal. TICD’s proposal would allow for one parking space per residential unit, a 250-car garage, hotel parking at a ratio of one car per guest room, surface parking lots for 750 cars, and on-street parking for approximately 1280 vehicles. In both the consultant review and the review conducted by the TI/YBI CAB concern was expressed over the number and location of the proposed parking. As the land use plan is refined as part of the ENA process, staff will work with TICD to identify appropriate parking requirements for various land uses, the manner in which parking is provided, and the feasibility of shared parking arrangements for residential units that may provide cost savings and improve the overall design of the project.



- *Create a safe, attractive, pedestrian friendly multi-modal system of streets, walkways and bike paths. Developer innovative modes of intra-island transportation.*

Analysis: TICD has proposed an on-island transportation network that will provide multiple options for travel, including walking or bicycling on designated paths, or utilizing the proposed intra-Island shuttle service. The proposal includes funding for the capital acquisition of four shuttle buses that would provide on-island service with 10 minute headways and funding for an island bicycle access program. Proposed roadway improvements would include designated bicycle lanes for travel on the Island. Staff will work with TICD to insure that future refinements to the land use plan and transportation network will include multiple modes of transit.

- *Provides facilities for essential public services and community activities, such as fire and police protection, an elementary school, park and recreation facilities, community meeting space, and opportunities for community based an non-profit organizations.*

Analysis: The proposal provides a full range of community facilities as part of the land use program. Specifically, the plan calls for the retention of the elementary school, retention of the Police substation in Building 1, programmed space for new fire station (to be constructed as part of the mitigation package for the San Francisco-Oakland Bay Bridge Eastern Span replacement project), retention of the child care facility on the Island, the continued presence of the Delancey Street Life Learning Academy, extensive open space and recreation facilities, and 20,000 square feet of community and non-profit space.

3) Economic Development/Financial Impacts on City.

These criteria weigh the overall fiscal impacts of the Development Concept on the City and the Authority.

- *The net fiscal impact of TICD's proposal on the City, including (i) projected new lease, land sale and tax revenues to the Authority or the City and (ii) the extent to which development requires public funding.*

Analysis: The project proposed by TICD will provide two sources of revenue to the City/Authority. The first source is project based revenues that will be derived from the sale, lease, or other revenue generating uses of property. TICD has proposed (i) the payment of a Base Rent to the Authority which is intended to cover the Authority's operational costs (thereby eliminating the need for General Fund support); and (ii) the payment of portion of net project proceeds that will be negotiated as part of the overall business transaction structure for the project. Based on the 12 year pro-forma submitted by TICD, revenues from the project total approximately \$533 million at build-out.

The second source of revenue is public revenues from property taxes, sales taxes, permits, fees, etc. As part of the initial proposal to the Authority, TICD projected



that at build-out the project would generate approximately \$7.5 million in annual revenues to the City's General Fund. Since further refinements of the land use plan will affect these revenue sources, staff has not conducted an independent review of these estimates. As part of the DDA negotiation process, staff will prepare a fiscal impact analysis that will document the marginal costs associated with development and the projected revenues associated with the final development concept and present the findings to the Authority Board.

The program set forth in the proposal includes two types of public funding. The first is a revenue bond that would be secured by proceeds from the existing housing on the Island. TICD has proposed that TIDA issue the bonds to take advantage of the fact that the Authority can issue tax exempt debt. The second source of public financing is tax increment bonds which are secured by the increased property tax base. Staff has reviewed both of these public financing mechanisms and determined they are appropriate for the project and thus meet the evaluation criteria. The exact financing plan will be one of the topics of the pro forma based negotiations.

- *The extent to which respondent's Development Concept will enable the Authority to realize the job generation goals outlined in the EDC application to the Navy and contribute to the economic vitality of the City and the region.*

Analysis: As noted earlier, the proposal set forth by TICD will result in approximately 2,400 new jobs at build-out. This represents a significant increase in the number of jobs that were lost as a result of the Base closure and as such should provide a sufficient basis to transfer the property from the Navy under the provisions of an Economic Development Conveyance.

- *The extent to which the development proposal contains elements of, and further strengthens, key strategic sectors of the local economy.*

Analysis: Redevelopment of the Base will also have positive impact on the local economy. In addition to providing new jobs (both temporary construction jobs over the projected 12 year build-out and permanent jobs), once completed, Treasure Island will tie into the well established tourism industry in San Francisco by providing new lodging accommodations and destination retail, recreation and entertainment opportunities. In addition, by significantly adding both affordable and market rate residential units to the City's housing stock, the plan will help address the one of the biggest barriers to continued economic growth in the region – the lack of housing.

- *Proposed terms of Base Rent and City's Participation in surplus revenue, including the percentages, triggering events and threshold (hurdle rate) for any such Authority participation.*

Analysis: The proposal set forth by TICD includes a Base rent payment to the Authority for the duration of the pro forma (12 years). Since it is likely the Authority will have a longer organizational life (for public finance and regulatory reasons) than 12 years, these factors will need to be incorporated into future negotiations on a business transaction structure. Likewise, the Authority's



participation in future revenues (including the percentages, triggers, and hurdle rates) will be the subject of future negotiations. As noted earlier, TICD has acknowledged that any future transaction structure must recognize the timing and relative contribution of resources by both parties to the project.

- *The likelihood that the Authority will receive an appropriate return for over the life of the Project from leases, revenue participation, land sales, and other redevelopment activities.*

Analysis: As noted above, the proposal indicates the Authority will receive Base Rent and certain speculative proceeds from revenues derived from the project. Given the complexity of the redevelopment effort, the specific terms of a transaction structure that set forth the details of the Authority's participation in the project will need to be the subject of further and intensive pro forma based negotiations.

- *The extent to which TICD minimizes the Authority's interim asset management costs by accepting such operating responsibilities and costs.*

Analysis: TICD's proposal indicates that TICD will accept property management responsibilities once a Development and Disposition Agreement (DDA) has been negotiated and executed. The pro forma submitted as part of the proposal has funds allocated to provide these services.

- *The extent to which TICD minimizes the Authority's legal and financial liabilities associated with environmental remediation.*

Analysis: In the period between issuance of the RFP and the submittal by TICD, the Authority sent a letter to the Navy indicating a willingness to explore the feasibility of negotiating an Early Transfer for Treasure Island. If the Authority and Navy are able to successfully execute an Early Transfer, the legal and financial responsibility for the environmental remediation (including any role for TICD) will be addressed as part of that process.

- *The extent to which TICD's proposal demonstrates a commitment to create or retain jobs for San Francisco residents, especially economically disadvantaged persons, and to provide minority and women-owned business enterprises with an equal opportunity to compete for and participate in project development and operations*

Analysis: TICD has made commitments in its proposal to:

- Comply with the provisions of the Homeless Assistance Agreement with the Treasure Island Homeless Development Initiative (TIHDI), as described below;
- Work with the City to implement the provision of the First Source Hiring Program; and
- Comply with the City's equal opportunity programs, including employment goals of at least 25% of all subcontracts awarded to MBE/LBE/WBE firms.



- *The extent to which respondent's proposal demonstrates TICD's commitment to work cooperatively with the TIHDI Job Broker Program and the scope and quality of economic development opportunities for TIHDI member organizations.*

Analysis: TICD has met with TIHDI on several occasions as part of its proposal preparation. They have committed to work with TIHDI and the TIHDI Job Broker program and to improve employment opportunities on the Island for formerly homeless and disadvantaged San Franciscans. Specifically, TICD proposes that TIHDI will continue to provide landscape, grounds maintenance and janitorial services during the construction phases and for long-term permanent uses; TIHDI member organizations will run the Urban Forest Program designed to produce the flora needed for the project; TIHDI member organizations will assist in the deconstruction of buildings; and TICD will work with TIHDI to identify long-term economic development opportunities included in the land use program.

RECOMMENDATION

Based on the analysis presented above, it is staff's opinion that the proposal (as revised) meets the criteria set forth in the RFP and staff recommends the Authority Board grant Treasure Island Community Development an exclusive right to negotiate for the redevelopment of Treasure Island. With Board approval, staff will prepare an Exclusive Negotiations Agreement for execution with TICD which will be presented to the Board for approval at the April 9, 2003 meeting of TIDA. The ENA will include a specific schedule of performance regarding the negotiation and preparation of the documents necessary to implement the redevelopment of Treasure Island. Among those milestones are a supplement to TICD's development concept that address early certain key issues that demand further consideration and, subsequently, a Term Sheet setting forth major terms and conditions of the Transaction Documents governing redevelopment of the Base (together, the "Transaction Documents"). After the completion of all required environmental review under the California Environmental Quality Act ("CEQA") and any regulatory approvals required as a condition of such approvals, the Transaction Documents will be presented to the Authority, the City's Board of Supervisors and the Mayor, for approval in their respective sole and absolute discretion.



Notes

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

MEMORANDUM

TO: Treasure Island Development Authority

FROM: Karen Knowles-Pearce, Chair, Treasure Island/Yerba Buena Island Citizens' Advisory Board

SUBJECT: CAB Comments Regarding Revised Draft Proposal

DATE: March, 2003

Attached are comments to the Revised Draft Proposal assembled by the three (3) Sub-Committees formed from the Treasure Island/Yerba Buena Island Citizens' Advisory Board (CAB), which continue to consist of Housing & Community Benefits; Transportation & Infrastructure; and, Urban Design. The Sub-Committee chairs presented their comments to the CAB, which voted unanimously on all comments contained herein.

The Sub-Committees met a number of times during the months of January and February. As happened during the last round of Sub-Committee meetings, many of these meetings were attended by not only the Sub-Committee members, but also by members of the public, as well as other CAB members who were not members of that Sub-Committee.

As you will note, many of the comments reflect the fact that the developer did seem to address concerns expressed in the first round of comments. However, there continue to be concerns from members regarding all phases of the Draft Proposal, and these concerns will, more than likely, continue to be expressed throughout the duration of members' terms on the CAB.

We appreciate TIDA's consideration of the CAB's observations and comments while proceeding and guiding the Development of Treasure and Yerba Buena Islands.



**Treasure Island Citizen's Advisory Board
Urban Design Sub-Committee
February 2003**

ORIGINAL COMMENTS ON RESPONSE TO RFQ September 2002	COMMENTS ON REVISED RESPONSE TO RFQ February 2003
<p><i>1. The overall effect of the proposal should clearly celebrate and capitalize on the unique beauty and power of the Treasure Island location. With its many uninterrupted sight lines, Treasure Island has the potential to be a terrifically attractive destination for local, national and international visitors, not just a residential and commercial development. The proposal should place significantly more emphasis on features and aesthetics that will attract visitors and generously meet the resulting needs of public recreation and comfort.</i></p>	<p>The proposal has improved somewhat in this regard. However, additional changes should be made as the process progresses. At this point, it appears that development is driving the land, rather than the land (which is a uniquely located, one-of-a-kind, highly visible resource) driving development. Additional focus should be placed on public open space, art and culture, and sustainability. The original comment continues to apply.</p>
<p><i>2. The housing should be pulled back further from the shoreline on the east and west sides of the island, to create additional open space and recreational uses along the shore, including lawns, viewing areas, water-oriented recreational facilities, civic space and active recreational areas, and to incorporate the San Francisco Bay Trail.</i></p>	<p>Housing has been pulled back further from the water and additional shoreline open space has been created. This is a positive change to the proposal, though more changes in this direction are warranted – particularly on the northwest portion of the Island – to further Tidelands Trust goals, to enhance views of the Island from San Francisco, to create additional open space and recreational uses along the shore (including lawns, viewing areas and water-oriented recreational areas), and to incorporate the San Francisco Bay Trail. The north central and northwest portions of the Island should be designed in a more integrated manner so as to place more housing (perhaps in taller buildings) in the center of the Island to allow these goals to be met.</p>
<p><i>3. The density of the housing is a positive aspect of the proposal. However, the housing design appears too regimented, regularized and uniformly grid-like and should be altered to more creatively capture the varied sizes and configurations of buildings within San Francisco neighborhoods, to open viewsheds and to incorporate intimacy and sub-spaces.</i></p>	<p>Some positive changes have been made, though the proposal remains largely grid-oriented. At this stage, it is not clear that the proposal would accommodate varied sizes and configurations of buildings to reflect the patterns within San Francisco neighborhoods. Ideally, sizes and types of housing components within individual blocks should be broken up more to meet this goal.</p>

<p><i>4. Rehabilitation and use of historic structures should reflect the island's history and enhance opportunities for the public to enjoy such structures. In addition, retention and use of the existing chapel (Building 187) should be seriously considered.</i></p>	<p>Retention and use of the existing chapel (Building 187) is now a component of the proposal, and will strengthen the connection between the Island's history and its future.</p>
<p><i>5. The proposal should actively promote the enhancement of the views of the island from San Francisco (to the west) and the East Bay communities (to the east) so that the views of Treasure Island will be interesting, varied and inviting, attracting local, national and international visitors to this uniquely beautiful location.</i></p>	<p>View simulations, view access maps and comparable tools should be used in any future entitlements process to judge whether this criterion is met. Existing shoreline trees should be retained. Structures should be located with preservation of existing vegetation as a key consideration.</p>
<p><i>6. The feasibility of placing a ferry terminal on the west side of the island (instead of or in addition to the one on the east side of the island) should be explored so as to enhance accessibility to the west side of the island and the sense of connection between Treasure Island and the rest of San Francisco.</i></p>	<p>Even if a ferry terminal on the west side of the Island proves infeasible, the west side of the Island should be planned so as to become the most active side of the Island. Consideration should continue to be given to a ferry terminal on the west side of the Island in the future should it become feasible.</p>
<p><i>7. Retail uses that support the gathering of people who reside on and off the island, (such as shops, cafes and restaurants) should be oriented along the east and west shoreline frontages of the housing development.</i></p>	<p>The proposal has been altered so that there are retail uses oriented along the shoreline frontages of the housing development. This is a positive change.</p>
<p><i>8. The proposal should be more specific regarding resident-serving recreational facilities and services, such as a gymnasium, a swimming pool, recreational centers, picnic grounds, a grocery store and a drug store. To the extent that such facilities currently exist, consideration should be given to retaining and rehabilitating such facilities.</i></p>	<p>Additional resident-serving facilities have been incorporated into the proposal. Apparently, a grocery store is planned to be located near the Ferry Terminal. Any entitlements should include timelines for development of such key resident-serving uses as grocery and drug stores to ensure that resident needs are adequately served.</p>
<p><i>9. The proposal is premised upon approval of a Tidelands Trust exchange; however, the current land use configuration may not provide the best opportunity for approval of a Tidelands Trust exchange. In addition, it is not clear whether the extent of the exchange proposed is necessary to support viable redevelopment of the island. Any Trust exchange should maximize public benefits.</i></p>	<p>The prior comment continues to pertain.</p>

<p><i>10. Additional information is needed to determine whether the proposed development team is financially qualified (e.g., sufficient and reliable guarantees are in place) to undertake the development project.</i></p>	<p>It is not yet clear whether the developer has committed to sufficient and reliable financial guarantees. Therefore, the original comment still applies.</p>
<p><i>11. More information should be provided concerning the division of financial responsibilities and funding mechanisms for the public amenities included in the proposal.</i></p>	<p>This will be an ongoing issue that should be dealt with throughout the entitlements process.</p>
<p><i>12. The 30-acre wetland feature is a positive aspect of the proposal.</i></p>	<p>Additional consideration should be given to placement of the road that nears the wetland in that competing considerations pertain – the interest in providing public access to recreational resources and amenities versus the interest in minimizing roads near sensitive resources.</p>

**Treasure Island/Yerba Buena
Citizen's Advisory Board
Transportation/Infrastructure Sub-Committee**

MEMBERS: David Bagdanoff, Liz Hirschhorn, Tim Molinare, Nathan Brennan-Chair

Summary of Comments as approved in CAB Meeting February 27, 2003

The Transportation/Infrastructure Subcommittee sees the TICD proposal with the follow up as responsive.

There are some major issues: traffic (access, control), parking, wastewater treatment, roadways (number of and location). These issues need to be reviewed and better specified as the project moves forward.

Financial questions that apply to the whole project also apply to infrastructure. TIDA's review of the financial issues should include analysis of the public benefits... are they commensurate with the public investment? Will the risk be shared and rewarded proportionately between the City and TICD? Will phasing insure community viability and success?

Other public comment: ... "Is TICD going to turn over a bunch of additional facilities and ongoing O&M responsibilities, that benefits several thousand people, for which the City has no means to finance or support?"

**Transportation/Infrastructure Sub-Committee COMMENTS/ RESPONSE
January 2, 2003 submittal Pages 31 to 39**

1. Response- OK, City Attorney should memorialize in negotiations.
2. The Subcommittee notes that additional geotechnical investigation should be performed. The Developer's response and approach should be expanded to include additional geotechnical investigation of development areas on a building-by-building basis. Schedule review is requested, and should reconsider that the geotechnical work not be put off until Phase III, but rather conducted early in the project to determine the requirements for soil stabilization and/or removal. (Costs for geotechnical improvements should be included in the developer's costs.) An independent geotechnical consultant should review all work for TIDA.
3. If clean up is completed by the Navy, the sites will have a ROD, Record of Decision, describing all issues. If the City pursues an Early Transfer, they need to review site clean ups to match planned reuse with minimum of Institutional Controls.
4. The design review should look at Safety and maintainability as well as meeting all regulations, codes and laws. This way design changes can be made that will improve worker safety without increasing cost. (i.e. Aligning sewers off centerline so access manholes are not in the center of the traffic.)

5. Evaluation of wastewater treatment alternatives should consider the O&M impacts of on-site vs. pumping to EBMUD, especially considering escalating power costs. The proposal includes three separate pipes across the bridge to/from EBMUD: water, sewer, and reclaimed water. An analysis should be performed to determine what is the more cost effective solution. The current plan is to purchase (pumped) EBMUD water to the island, collect and pump the wastewater back to EBMUD for treatment, and then have EBMUD pump it back to the island as reclaimed water. Alternatively, there could be an on-island treatment plant capable of treating all of the island's wastewater and producing reclaimed water. This option could potentially limit the need to one pipe on the bridge and greatly reduce costs and liabilities. Also, how will the ratepayers be affected by this - we can't have the "privilege" of sewer service cost more for residents of TI than others in the City.

On page 24 TICD estimates O&M costs for a new treatment plant at \$200k/year. This is low for San Francisco, currently the TI Treatment Plant and pump stations require ~\$1M/year for O&M (even with increasing deferred Maintenance).

6. The Mello-Roos Community Facility District should include funding for vector control.

7. Response- OK, City Attorney should memorialize in negotiations.

8. TRANSPORTATION is a major issue. Many items must be specifically detailed as project moves forward. Access to bridge, TIDA is negotiating with CALTRANS. Retail and residential "bunching" should be reviewed to improve community walkability. Minimize road width to local traffic load, widen pedestrian and bicycle paths to encourage use. The new Westside road should be limited to shuttle and handicapped permitted vehicles only to minimize impact on public access to the waterfront.

9. PARKING- Page 38 of the TICD document dated January 2, 2003 provides a response to comment Number 9 from the Transportation and Infrastructure Sub-Committee. The Sub-Committee's comment suggested that the number of on-street parking spots should be minimized. The response to the comment says that there could be up to a maximum of 1280 parking spots on all of the streets on Treasure Island. TICD based this number on using 70% of the total curb space available. It is the recommendation of the Sub-Committee that the number be further reduced to maximize the amount of street space not dedicated to automobile use. This will provide more opportunity for landscaping and reduce the overall automobile presence on the island.

10. Response- OK.

11. Response- OK.

12. Response- OK, City Attorney should memorialize in negotiations.

13. Response- OK, City Attorney should memorialize in negotiations.

14. Response- OK.

**Treasure Island/Yerba Buena Island
Citizens Advisory Board**

Housing and Community Benefits Subcommittee

The following is a list of response to TICD's final response for request for proposal. This list was compiled by the Housing and Community Benefits Subcommittee meetings and through public comment.

Housing:

1. Availability of parking:

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

Note: if the current parking plan changes in the future, the subcommittee would like to know about any differences in the number of parking spaces.

2. Adequate/free open space:

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

3. Square footage of units – large enough? Concerned about density i.e. crowding more people into smaller area than is currently available to residents.

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

4. Concerns about the soil and what the health hazards affecting all residents, especially children.

CAB subcommittee response: The subcommittee would like to make a strong statement of concern about the Navy's clean-up standards and would like clarification on who will be responsible for "the higher clean up standard than the Navy is currently contemplating". The subcommittee would also like to suggest that TICD explore the benefits/disadvantages of an early transfer of the island from the Navy, as it relates to concerns about clean up.

5. Clarification in defining the percentages of ownership versus rentals of inclusionary units, specifically as it relates to the West side housing plans in the proposal.

CAB subcommittee response: The subcommittee chair has spoken with Sherry Williams from TIHDI and has been assured that TIHDI is fully addressing this issue.

6. Number of low income units

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

7. Process of transitioning residents currently living here to newly built units

CAB subcommittee response: The subcommittee would like clarification on the statement that units will be “offered to current residents and...pg. 43”. The subcommittee is concerned about displacement of current residents, especially formerly homeless residents. The subcommittee would also like more details of the transitioning process of current residents to the new units.

8. Why must current TIHDI housing be deconstructed?

CAB subcommittee response: *The subcommittee was informed that there is a state law around this issue and it is out of the hands of the developer.* Also, the subcommittee chair has spoken with Sherry Williams from TIHDI and has been assured that TIHDI is addressing this concern.

9. Further clarification of the phasing plan is needed.

CAB subcommittee response: The subcommittee is satisfied with TICD’s response.

10. Rent structure of new housing

CAB subcommittee response: The subcommittee understands that \$1250 is an average based on today’s dollars and is satisfied with TICD’s response.

11. Scale of buildings – Is there a neighborhood feel? Is it too grid like?

CAB subcommittee response: Understanding that this plan may be altered in the future, the subcommittee feels there has been an improvement in the scale of the buildings.

12. Access to views from housing

CAB subcommittee response: Understanding that this may be subjected to change in the future, the subcommittee is satisfied with TICD’s response.

13. Community feeling? Does platform style take away character of Island?

CAB subcommittee response: Understanding that this may be subjected to change in the future, the subcommittee is satisfied with TICD’s response.

14. Population density – Urban vs. Suburban

CAB subcommittee response: The subcommittee is satisfied with TICD’s response.

15. Backyard for all units?

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

16. Current residents getting priority over new residents for housing?

CAB subcommittee response: The subcommittee suggests that in order to further mitigate traffic, TICD also consider offering current residents preferential leasing or first right of refusal to current program staff employed on the island as well as police, fire, etc.

17. Why are wetland positioned where they are? Are they more than just storm water treatments sites?

CAB subcommittee response: The subcommittee is satisfied with TICD's current response, however feels that this issue should be discussed in the full CAB.

18. Small play areas disbursed throughout housing – should be integrated into plan

CAB subcommittee response: The subcommittee is satisfied with TICD's response.



**Treasure Island/Yerba Buena Island
Citizens Advisory Board**

Housing and Community Benefits Subcommittee

The following is a list of responses to TICD's final response for request for proposal. This list was compiled via Housing and Community Benefits Subcommittee meetings and comments submitted through public comment.

Community Benefits:

1. What are the overall benefits to the T.I. Community?

CAB subcommittee response: The subcommittee attempted to identify general community benefits To all T.I./S.F. and Californians. The following is a list of what the subcommittee considered the more obvious community benefits:

Affordable housing	New jobs	275 acres of open space
New Marina	Sailing Center	Cultural Center
Ferry System	Integration of J.C.	Neighbor Parks

The subcommittee would like to suggest that as we proceed in this process, we continue to look at community benefits, especially as they relate to benefits of T.I. residents.

2. Saturation of Island with plans – what is too little or too much?

CAB subcommittee response: Understanding that this is subject to change, the subcommittee is satisfied with TICD's response.

3. Commercial uses benefits to residents

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

4. Gym/Recreational facility for community

CAB subcommittee response: The subcommittee would like to highly recommend that the gym/recreational facilities are also available to all San Franciscans.

5. How will TICD work with the City to bring community benefits to T.I.?

CAB subcommittee response: The subcommittee would like to recommend that TIDA be a driving force in working with TICD and the City to bring more community benefits to T.I.

6. Public Trust – benefits to both T.I. and S.F citizens in general

CAB subcommittee response: The subcommittee recommends that TIDA continue to press TICD for as many public benefits as possible, as it relates to the Public Trust.

7. Public amenities such as police, fire, emergency, medical to be upgraded, added to YBI, more staff added?

CAB subcommittee response: Stephen Proud informed the subcommittee that Caltrans has agreed to replace a firehouse, however the location is yet to be determined.

8. Is there a guarantee that both residents and non-residents will be able to utilize Medical/ Dental Services on Island

CAB subcommittee response: The subcommittee was informed that TICD has spoken with TIHDI about support space on T.I. and that plans have been made for medical/dental services, however there is no guarantee that space will be made available. The subcommittee highly recommends that TIDA continue to push for these services in TICD's on-going plans.

9. Adequate child care for those who live/work on T.I.

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

10. Library on the Island

CAB subcommittee response: The subcommittee understands that this is a city service issue, however the subcommittee highly recommends that TICD and TIDA work with the city to provide some sort of library service to T.I. (if no library, increase book mobile services)

11. Arts/Cultural needs of residents – do residents get a voice?

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

12. Schools – keep existing/add more?

CAB subcommittee response: The subcommittee understands that is a school district decision and encourages TIDA to advocate for schools as needed.

13. Sharing of facilities between visitors and residents

CAB subcommittee response: The subcommittee is satisfied with TICD's response to date, but would like more information on what this will look like as it becomes available.

14. How can the Fire Training Academy be best utilized?

CAB subcommittee response: The subcommittee is satisfied with TICD's response and would like to note a correction in TICD's response on page 48. Caltrans has agreed to fund a new fire station, not construct one.

15. In what capacity will the developer be responsible for developing an Emergency Evacuation plan?

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

16. Community bike program to help with traffic issues? Include repair and maintenance on Island?

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

17. What is the plan for alternative modes of transportation on the Island during development?

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

18. Treasure Island Sailing Center and the current plans for expansion of site facilities

CAB subcommittee response: The subcommittee is satisfied with TICD's response.

19. Retail and other business on Island. Will residents have input as to what business/retail will be on the Island?

CAB subcommittee response: The subcommittee is satisfied with TICD's response.





Notes

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1 FINDING THAT TREASURE ISLAND COMMUNITY DEVELOPMENT'S ("TICD's") FINAL
2 RESPONSE TO THE AUTHORITY'S FOCUSED REQUEST FOR PROPOSALS FOR THE
3 PRIMARY DEVELOPMENT OF TREASURE ISLAND ("RFP") MEETS THE CRITERIA OF
4 THE RFP, AND AUTHORIZING THE AUTHORITY'S EXECUTIVE DIRECTOR TO ENTER
5 INTO EXCLUSIVE NEGOTIATIONS WITH TICD FOR THE REDEVELOPMENT OF
6 TREASURE ISLAND, SUBJECT TO THE AUTHORITY'S SEPARATE APPROVAL OF AN
7 EXCLUSIVE NEGOTIATING AGREEMENT.

8 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended
9 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter
10 1333 of the Statutes of 1968 (the "Act"), the California Legislature (i) designated the Treasure
11 Island Development Authority (the "Authority") as a redevelopment agency under California
12 redevelopment law with authority over former Naval Station Treasure Island (the "Base"), and
13 (ii) with respect to those portions of the Base which are subject to the public trust for
14 commerce, navigation and fisheries (the "Tidelands Trust"), vested in the Authority the
15 authority to administer the Tidelands Trust as to such property; and,

16 WHEREAS, The Board of Supervisors approved the designation of the Authority as a
17 redevelopment agency with powers over Treasure Island in Resolution No. 43-98, dated
18 February 6, 1998; and,

19 WHEREAS, Under the Act and the Authority's Articles of Incorporation and Bylaws, the
20 Authority, acting by and through its Board of Directors has the power, subject to applicable
21 laws, to sell, lease, exchange, transfer, convey or otherwise grant an interest in or right to use
22 or occupy real property located on the Base; and,

23 WHEREAS, In 1994, a Citizen's Reuse Committee ("CRC"), representing a broad
24 spectrum of community interests, was formed to: (i) review reuse planning efforts regarding
25 the Base by the San Francisco Planning Department and the San Francisco Redevelopment



1 Agency; and (ii) to make recommendations to the City's Planning Commission and Board of
2 Supervisors, and in July 1996, after an extensive community planning effort, a draft reuse plan
3 for the Base (the "Reuse Plan") was unanimously endorsed by the Mayor, the Board of
4 Supervisors, the Planning Commission and the CRC; and,

5 WHEREAS, The City forwarded the Reuse Plan to the Department of Defense in July
6 1996 to serve as the guiding document for the Navy and City in preparation of a joint
7 Environmental Impact Statement/Environmental Impact Report (EIR/EIS) and the Reuse Plan
8 serves as the basis for the Preliminary Redevelopment Plan for the Base; and,

9 WHEREAS, The conversion of the Base according to the goals and objectives of the
10 Reuse Plan will require extensive coordination and large investments for new infrastructure
11 and to address extraordinary transportation access and seismic constraints, all of which may
12 best be achieved through the coordinated services of one "primary developer" of the Base;
13 and,

14 WHEREAS, On June 14, 2000, the Authority authorized issuance of a Request For
15 Qualifications for a primary developer of the Base ("RFQ"), and thereafter issued
16 approximately 500 copies of the RFQ to interested parties and hosted a pre-submittal meeting
17 regarding the RFQ that was attended by over 125 representatives of the development
18 community; and,

19 WHEREAS, Submittals to the RFQ were due to the Authority by February 1, 2001, and
20 on that date the Authority received only two responses to the RFQ, one from Navillus
21 Associates and one from Treasure Island Community Development ("TICD"); and,

22 WHEREAS, A team of expert consultants hired by the Authority, including Keyser
23 Marston & Associates and Arthur Andersen, reviewed the materials submitted by the two
24 respondents to the RFQ, prepared supplemental information requests to address questions
25 raised during the review process, and together with Authority staff and a designated member



1 of the Treasure Island Community Advisory Board, conducted interviews of the two
2 responding teams; and,

3 WHEREAS, On July 11, 2001, the Authority by resolution found, based on the
4 consultants' analysis and the recommendations of staff, that only TICD met each of the seven
5 criteria set forth in the RFQ for proceeding on to the RFP phase; and,

6 WHEREAS, On July 11, 2001 in that same resolution, the Authority directed the
7 Executive Director to (i) undertake a brief study to explore ways to improve competition for the
8 opportunity, including by having a consultant interview prospective developers that expressed
9 interest in Treasure Island but failed to respond to the RFQ, and (ii) based on the information
10 gleaned from that study, to present options to the Authority for moving forward with the
11 primary developer solicitation process; and,

12 WHEREAS, On September 11, 2001, staff and the Authority's consultant, Bay Area
13 Economics, reported that simply presenting again to the development community a combined
14 RFQ/RFP would not likely result in material new developer interest, and after considering the
15 consultant's report and the recommendations of staff, the Authority indicated that to best
16 achieve the goals of the Reuse Plan and avoid significantly delaying implementation of the
17 Reuse Plan, the Authority should proceed with the original solicitation process set forth in the
18 RFQ by issuing a focused Request For Proposals ("RFP") to TICD, and then evaluate the
19 content of TICD's response to the focused RFP to determine whether the Authority should
20 enter into exclusive negotiations with TICD regarding the implementation of its proposal; and,

21 WHEREAS, On April 10, 2002, after an unprecedented public process that included
22 numerous meetings with the Authority Board, members of the Treasure Island/Yerba Buena
23 Island Citizens Advisory Board ("TI/YBI CAB"), and comments provided by organizations,
24 individuals and government agencies, the Authority authorized staff to issue the focused RFP
25 to TICD; and,



1 WHEREAS, On July 2, 2002, TICD submitted its initial response to the RFP (the "Draft
2 Proposal"), and thereafter copies of the Draft Proposal were provided to the Authority Board,
3 members of the TI CAB, the San Francisco Board of Supervisors, and interested members of
4 the public, and TICD made presentations of the Draft Proposal at several public meetings held
5 in San Francisco and on Treasure Island to solicit input from the public, and the TI/YBI CAB
6 held 16 additional public meetings to discuss the Draft Proposal and prepare comments for
7 the Authority Board; and,

8 WHEREAS, On January 2, 2003, TICD submitted its revised response to the RFP (the
9 "Proposal") for the Authority's and the TI/YBI CAB's consideration; and,

10 WHEREAS, The TI/YBI CAB and its subcommittees have held several meetings to
11 review the Proposal and have prepared comments under separate cover for submittal to the
12 Authority Board; and,

13 WHEREAS, The Authority staff has meet both individually and collectively with the
14 consultant team to evaluate the Proposal in the context of the evaluation criteria set forth in
15 the RFP; Now, therefore, in light of the foregoing recitals, be it

16
17 RESOLVED, That, based on the findings set forth in the Staff Summary submitted with
18 this Resolution and attached hereto as Appendix A, and the Authority Board's independent
19 review of the Proposal, including numerous presentations and hearings on the contents of the
20 Draft Proposal and the Proposal, and extensive public comment thereon, the Authority Board
21 hereby finds that TICD's Proposal meets the criteria set forth in the RFP, and authorizes the
22 Authority's Executive Director to enter into exclusive negotiations with TICD regarding the
23 redevelopment of the Base in a manner consistent with TICD's Proposal, the Staff Summary,
24 the Reuse Plan, and the EIS/EIR, subject to the Authority's separate approval of an Exclusive
25 Negotiating Agreement ("ENA"); and be it,



FURTHER RESOLVED, That the Executive Director of the Authority is hereby directed to prepare and submit for approval an ENA with TICD at the Authority's next regularly scheduled meeting; and be it

FURTHER RESOLVED, That, while the Authority has found that TICD's Proposal provides a reasonable basis for commencing negotiations with TICD regarding the redevelopment of Treasure Island, the final terms and conditions of the various transaction documents that will govern such redevelopment will likely require further consideration of, and in some cases, material modifications to, a number of elements of TICD's Proposal, including, without limitation, and by way of example only, issues related to the transaction structure and the relative priority and amount of the parties' respective returns, the means of financing the affordable housing plan, the programming of recreational, open and flex space, the final location of the ferry terminal, parking - including the feasibility of shared parking options, waste water treatment, including the feasibility of on-site treatment facilities, and the configuration of the proposed Trust exchange, all as further set forth in the Staff Summary.

CERTIFICATE OF SECRETARY

I hereby certify that I am the duly elected and acting Secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed meeting on March 12, 2003.

Bill Fazande





Notes



Notes

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OFFICE OF THE MAYOR
SAN FRANCISCO

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WILLIE LEWIS BROWN, JR.

DRAFT Minutes of Meeting
Treasure Island Development Authority
March 12th, 2003

City Hall, Room 400
1 Carlton B. Goodlett Place
San Francisco, CA

1. Call to order 1:38 PM

Roll Call Present: Claudine Cheng (Chair)
William Fazande (Vice-Chair)
John Elberling
Susan Po-Rufino
Marcia Rosen

Excused: Gerald Green
Douglas Wong

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2. The minutes of the February 12, 2003 TIDA meeting were motioned for approval by Commissioner Rosen, the motion was seconded by Commissioner Po-Rufino
The minutes were approved unanimously

3. Director's Report given by Executive Director Annemarie Conroy:
Public Use: Use of Island for 80 weddings and private parties continues through out the year. Operation Dream holds Easter Egg Hunt on Treasure Island in April
Environmental cleanup status: No new issues,
Short term leases: No new short term leases besides Department of Aging lease on agenda
Caltrans/Bay Bridge: Still working on problems with PG&E and Caltrans in regards to Bay Cable 6 and backup power for Treasure Island
Community Issues: Explosion on Treasure Island caused by gas build-up related to stolen stove in housing units, luckily no one injured as it happened very early in the morning
Citizens' Advisory Board: CAB Chair Karen Knowles-Pierce present along with CAB subcommittee chairs. Will report to TIDA Board at today's meeting on review of developer's final proposal
TIHDI Report: Annual fundraiser upcoming
Financial report: Revenues and expenses "right on target"
Legislation: No new legislation affecting Treasure Island

Commissioner Elberling joined the Commission at 1:50 p.m.

4. Commissioner Rosen noted that though not stated in the agenda, there were two new communications received by the TIDA Board from Treasure Island Community Development in the previous month
Commission Secretary Peter Summerville acknowledged this mistake and indicated that Commissioner Rosen was correct

5. Commissioner Cheng noted that it was time to hold election of TIDA Board officers

Executive Director Conroy stated that in the past nominations from Commissioners had been submitted ahead of time to the Commission Secretary, and suggested this protocol be followed again, if it were to the pleasure of the Commissioners

Deputy City Attorney Michael Cohen stated that these nominations should be submitted at least one week prior to the upcoming TIDA meeting in April

Commissioner Cheng stated that the nominations would be due by April 2nd, 2003, and the new elections would be calendared for the April 9th, 2003 TIDA Board meeting

6. There was no General Public Comment

7. Ms. Marianne Conarroe, of TIDA staff, presented a 12 month-to-month sublease extension with the City and County of San Francisco Department of Aging. Indicated that after the resolution had been prepared, the Department of Aging requested an 18 month sublease. Stated that if it pleased the Commission this item could be amended to an 18 month sublease

There was no public comment on this item

Commissioner Fazande motioned to amend the item from a 12 month term to an 18 month term

The ammended item was motioned for approval by Commissioner Rosen, the motion was seconded by Commissioner Fazande

The item was approved unanimously

8. Mr. Stephen Proud, of TIDA staff, presented a request to issue a Request for Qualifications for a Fixed Price Contractor for environmental remediation and assistance with early transfer of former Naval Station Treasure Island. Explained that early transfer calls for receiving all property "fence to fence", or all at once. U.S. Navy provides funds for necessary environmental remediation on contaminated land still deemed suitable for early transfer. TIDA and Navy will enter into an environmental services Cooperative Agreement, which spells out all remedial responsibilities the Authority has as well as sets up the funding mechanism to perform this work. Also negotiation decouemts with groups such as Department of Toxic Substance Control and Water Quality Control Board which also have jurisdiction over environmental remediation on Treasure Island. Fixed price contractor would help Authority negotiate agreement with U.S. Navy as well as be the contractor to carry out remediation work.

Work related to Request for Qualifications has been completed. Staff requesting Authority to authorize issuance of the Request for Qualifications. Expects the whole process to take 28 weeks to complete. Fiurst phase of work would be to help Authority prepare proposal to U.S. Navy, second phase is negotiation of proposal with the Navy, third phase would be a contract to carry out remediation work on Island

Commissioner Cheng asked if it is customary that the applicants normally write their own proposal and contract to submit to Navy

Mr. Proud stated that this is correct, and selection process also looks at applicants ability to execute this proposal and contract

Commissioner Rosen stated that this Request for Qualifications seems to have aspects of a Request for Proposals in it as well

Mr. Proud stated that this is correct and since the contractor would be compensated during it's first phase of work there are components that do mirror a Request for Proposals in the Request for Qualifications. However still judging applicants based mainly on qualifications

Commissioner Rosen asked if Geomatrix is specifically prohibited from bidding on this project since they are consulting on selection of the Fixed Price Contractor

Mr. Proud stated that this is correct

There was no public comment on this item

The item was motioned for approval by Commissioner Rosen, the motion was seconded by Commissioner Fazande

The item was approved unanimously

Commissioner Rosen commended TIDA staff and the consultants for putting together a well written and thorough Request for Qualifications

9. Mr. Stephen Proud of TIDA staff presented the TIDA staff summary of the revised response to the Request for Proposal submitted by Treasure Island Community Development (TICD). The primary group of consultants who reviewed the documents included Economic and Planning Systems, Roma Design, TIHDI's consultant Community Economics and San Francisco Public Utilities Commission. Staff summary to response grouped into three main categories: project feasibility and timing, land use plan and urban design, and economic development and financial impacts to the City of San Francisco.

Project feasibility and timing: Mr. Proud stated there were some issues related to availability of working capital from TICD to cover operating costs and capital expenditures, but staff feels that TICD does have the capacity to do that work, and the equity contribution TICD is prepared to make is sufficient. Market assumptions underlying the pro forma appear reasonable, including expected returns. However there is a substantive negotiation that still needs to occur with regards to pro forma submitted. Until a land use program is "nailed down" it is difficult to do a detailed pro forma analysis at a proposal level. Once this occurs the pro forma will be stripped down and rebuilt. Stated that at the proposal level, though, the pro forma seems reasonable. Also noted that there is a provision in the RFP that talked about adequacy of proposed financial assurances. TICD was specifically instructed that it could satisfy this requirement by affirmatively indicating that in it's final proposal Lennar would guarantee certain obligations of TICD. Stated there are a couple of issues with regards to regulatory feasibility, including Tidelands Trust-exchange concept. Draft proposal reviewed by State Lands Commission and TICD "took to heart" several recommendations of State Lands Commission that hopefully will make negotiations with State Lands Commission more feasible in terms of proposed Trust exchange. Lot of work necessary to look at technical feasibility of plan, including various infrastructure and utility systems. Proposal calls for total replacement of utility systems. Still significant questions regarding utility systems including treatment of wastewater on Island, PUC has indicated they would like to see additional analysis as to the storm water treatment wetlands area. One positive aspect of proposal is the geotechnical work that has been done. Proposal calls for reinforcement of perimeter of Treasure Island all in first phase of redevelopment. Stated this is a major upgrade over reuse plan, which calls for a phased approach in this area. This will improve public safety on the Island early on. TI/YBU Citizen's Advisory Board has expressed concern that a peer review be done of the geotechnical proposal, since TICD used same consultants as TIDA did for review of proposal, and staff thinks this is an appropriate request and will recommend during ENA process that this peer review take place

Commissioner Cheng asked if any other City agencies had any feedback on the proposal
Mr. Proud stated that only they Public Utilities Commission had a response to the proposal

Land Use Plan and Urban Design: Mr. Proud stated that the proposal meets all the criteria of mixed use, preservation of historic structures, and other land use criteria. Affordable housing criteria warrants some discussion. Proposal includes a stipulation for 33 % of the housing, or approximately 927 units, to be affordable. The topic of affordable housing financing is extremely complex and the ability to produce all 927 units as a package needs to be examined some more. Development team has shown a willingness to meet and work with TIHDI on a regular basis. Staff believes that recreation and open space program is one of the strongest parts of the overall proposal. This program includes many positive elements including many parts of the reuse plan, including shoreline promenade, shoreline parks, an extensive wetlands program and opportunities for sailboarding and sailing programs. Many ball fields and tennis courts proposed, along with Yerba Buena Island open spaces and parks. One tough aspect of proposal is parking and ways to address this issues include shared parking arrangements for the housing component along with better urban design for the proposal as a whole

Commissioner Rosen asked for clarification to the pro forma revision received from TICD

Mr. Proud stated that the staff comments are in response to revised proposal. TICD has not issued a response to the staff summary currently being presented

Commissioner Rosen stated that the inclusion of a share of the infrastructure costs as an affordable housing cost isn't necessary. Would be preferable to have this structured another way as to not have it looked at as a burden. Commenting on this because it wasn't addressed from the comments made earlier.

Economic Development and Financial Impacts on the City: Mr. Proud stated there are two components to be focused on. The first is programming of revenue derived from the project. This will be a part of in-depth pro forma analysis that needs to be done. Returns shown can vary widely. TIDA plans to force TICD to maximize community benefits provided and also ensure that returns to TICD are reasonable market rate returns for the project. Actual fiscal impact to City includes study of public revenue versus public costs analysis. Likely fiscal impacts will affect success of project in front of both TIDA Board and Board of Supervisors. Staff has recognized that a financial structure that provides a "25% return with a fifty-fifty split on the back end" is too simplistic, and TICD has recognized that as well. Still some various pieces of transaction structure that need to be negotiated. Stated that overall it is staff's opinion that proposal set forward by TICD meets the criteria set forth in the RFP, and warrants moving into an exclusive negotiating agreement, which would be subject to TIDA Board approval at the April 2003 meeting. Simplistically speaking, the ENA states that TIDA agrees to negotiate with TICD and no one else for the future redevelopment of Treasure Island. The ENA sets forth conditions that need to be satisfied before moving forward with actual transaction documents and land use designs. Also recognizes there are still various issues regarding the proposal as a whole that need to be negotiated before any transaction goes forward

10. Ms. Karen Knowles-Pierce, Chair of the Treasure Island/Yerba Buena Island Citizen's Advisory Board (CAB) presented the CAB's review of TICD's proposal. CAB subcommittees met six times to review revised proposal. In many cases they felt TICD had addressed their concerns and in many cases they felt ongoing discussions were warranted on certain issues. These comments were presented to the CAB as a whole and voted on, and these comments were what are presented to the TIDA Board.

Commissioner Elberling asked if the CAB took a position on whether to enter negotiations with TICD. Ms. Knowles-Pierce stated the CAB has not taken an official position, but there are varying opinions within the members of the CAB

Commissioner Rosen asked Ms. Knowles-Pierce to thank the CAB for their hard work and substantial amount of value that they have added to the process. The amount of work and thought the CAB has put into the process is very obvious and helpful. CAB's approach seems to be very comprehensive and thoughtful. Also commended the developer for engaging the CAB in good faith in discussions with the CAB

Commissioner Cheng stated that the entire Commission shares Commissioner Rosen's comments towards the CAB.

Public Comment:

Ms. Carissa Harris-Adamsun of the Treasure Island Sailing Center stated that their goal is that the development plan adequately plans for the growth of the T.I. Sailing Center. Stated that they are pleased with their discussions with TICD and Mr. Jay Wallace so far. T.I.S.C. is supportive of the proposal and appreciates TICD's support of T.I.S.C.

Ms. Sherry Williams, Executive Director of Treasure Island Homeless Development Initiative, spoke regarding TICD's proposal. Stated that the affordable housing component is very complex. Revisions have happened regarding providing money for TIHDI replacement units. Feels TICD has done all they can in good faith during this part of the process. TIHDI supports moving forward with TICD's proposal based on their dealings with TIHDI so far.

Mr. Kevin Knutsen, of Community Economics, spoke regarding potential of use of 4 % credits and tax exempt bonds for inclusionary units. Wanted to encourage TICD to look into ways to use these mechanisms for inclusionary rental units.

Commissioner Rosen stated that generally inclusionary obligation is the developers obligation, when tax exempt bond authority is in short supply, to meet from proceeds of the market rate housing, and developers shouldn't compete with all affordable housing developers who rely on that 4% credit and tax exempt credit. Stated she would hesitate to rely any public resources for the inclusionary obligation because the future of public finance mechanisms looks unsure.

Commissioner Elberling asked if there is still TIHDI housing proposed on Yerba Buena Island. Also asked if TIHDI is happy with this final situation

Mr. Proud stated that two years ago or so TIHDI and John Stewart Company performed a swap of current housing units that made all TIHDI housing located on Treasure Island. Because of this the TIHDI replacement housing is assumed to stay on Treasure Island

Ms. Williams stated there is still a discrepancy regarding the total number of replacement units. As for location, stated it was originally their impression that Yerba Buena Island was not going to be used for housing. However, there is merit to having all TIHDI housing on Treasure Island as to be close to support services and to create a community. Still haven't totally defined location of units as part of final development plan

Commissioner Rosen offered her informal assistance on issues which would affect public policy and wouldn't be in the developers or consultants realm

Commissioner Elberling asked what type of housing will be developed by TICD and will it be geared toward family housing

Mr. Proud stated that these decisions will be established during the negotiations. Housing types will affect density and public policy. Also vertical development has not yet been discussed, and this area will leave room in negotiations to follow this dialogue all the way through. Overall, housing types "bleeds over" into various other community and land use issues

Commissioner Elberling stated that what groups will have preference for the housing is a policy matter and shouldn't be decided in negotiations or by financial policy. The one exception is that people who work on the Island should have preference. All other decisions should be a policy decision, based on a solid analysis. A related matter is the rights of people currently living on the Island to continue living there during and after redevelopment. Stated this is not an issue for TICD to decide, but for the TIDA Board as well as the Board of Supervisors

Mr. Proud stated that staff has been clear in direction that people who work on the Island should have preference in housing. Have looked at a phasing perspective for moving current residents into new units. CAB has discussed keeping current preferences established in agreement with John Stewart Company.

Mr. Michael Cohen, Deputy City Attorney, stated that TIDA Board would be consulted for feedback and guidance on these issues. Term sheets will be produced for approval regarding housing plan structure. Separate term sheets could be considered regarding transfer of units and housing preferences, which would then be incorporated into the main term sheet

11. Commissioner Elberling motioned for approval of drafting an Exclusive Negotiating Agreement, Commissioner Rosen seconded the motion
The item was approved unanimously

12. Commissioner Cheng stated that the election of new TIDA Board officers will happen at the April 9, 2003 meeting and nominations are due to the Commission Secretary by April 2nd.

Director Conroy introduced and welcomed Jack Sylvan who is the new Director of Development for the Treasure Island Development Authority. Stated he is very talented and TIDA is very happy to have him on the staff.

13. The meeting was adjourned at 3:06 p.m.





